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May 1996

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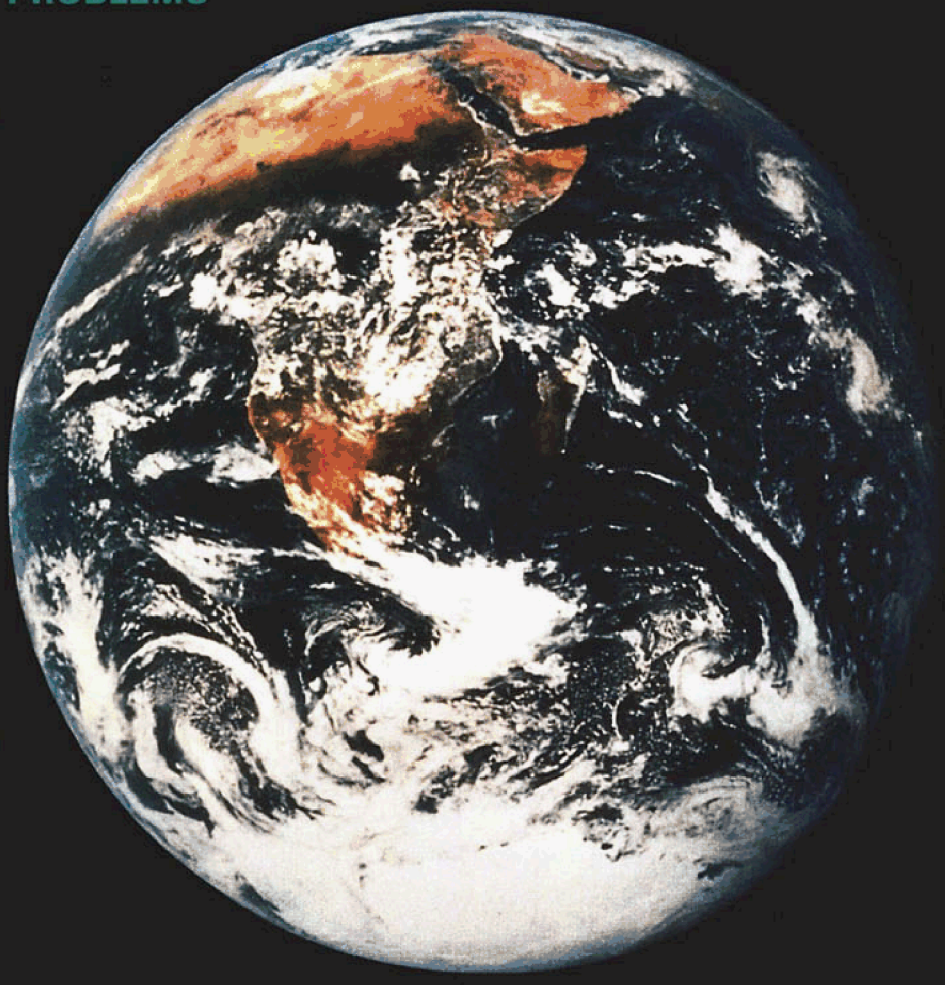

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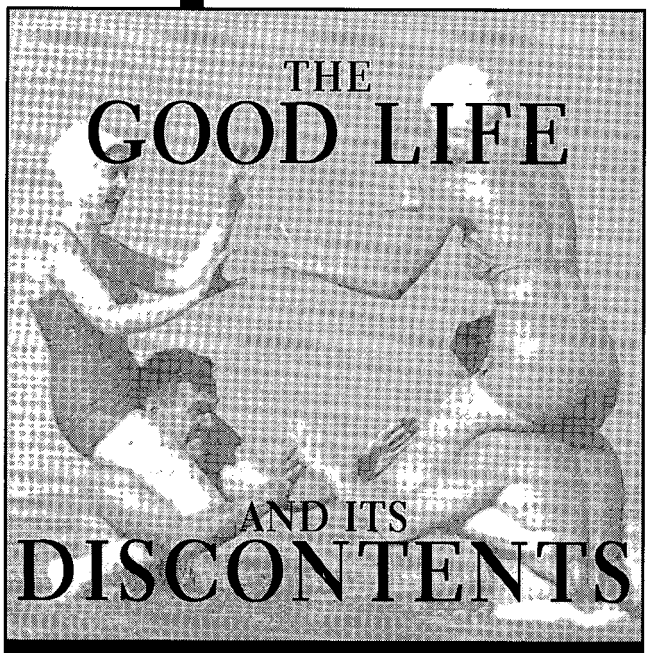

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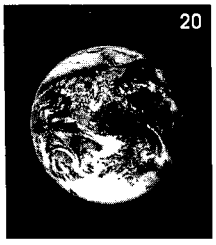

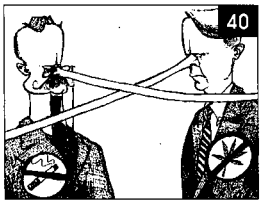

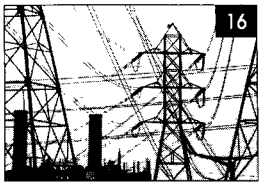

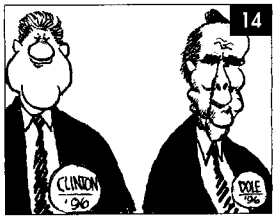

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Standing Pat

By Virginia I. Postrel

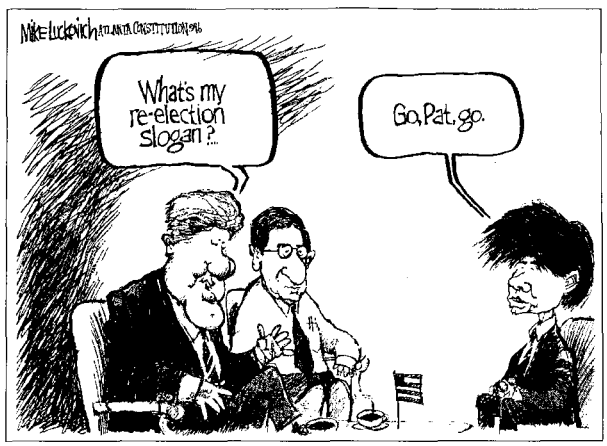
Buchananism's establishment allies

PAT BUCHANAN WON'T BE the Republican nominee. He has, however, shaken up "the establishment." Or so he'd have his followers believe.

Buchanan's heated rhetoric certainly runs counter to establishment Republicanism. Nor would a President Buchanan make Bill Kristol chief of staff or appoint Arianna Huffington to his cabinet. On substance, his vision of a static American social and economic system—opposed to enterprise and regulated from Washington—contradicts the dynamic optimism that has energized the Republican core since Reagan.

But Buchananism is, in fact, a very establishment ideology. It is the ideology of *The Atlantic Monthly* and of publishing house W. W. Norton, the attitude that marks such indulgently received social critics as Kirkpatrick Sale, Alan Ehrenhalt, Jeremy Rifkin, and Michael Lind. Write a book promoting Buchananism in a properly abstract style, present yourself as a man of the left (perhaps criticizing the right as not truly "conservative"), and you will be respectfully reviewed, deluged with talk-show offers, and featured on the covers of magazines far larger and more prestigious than anything Buchanan's dreaded "neocons" command.

For a half-dozen years, Buchananism has been the hottest of intellectual fads. Its red-hot center is not militia country, but the Washington-to-Boston corridor, where cosmopolitan intellectuals have relentlessly championed an anti-cosmopolitan ideology in the name of attacking markets. They have made economic and social dynamism the enemy, denounced consumer choice, blasted liberal immigration policies, romanticized peasant virtues and traditionalist ethnic neighborhoods, scorned technological achievement, sneered at knowledge work, and opposed international trade. It was the left's golden boy, Michael Lind, not Pat Buchanan, who coined the term "overclass" to build populist resentment against the global economy, large-scale immigration, and upwardly mobile professionals. (See "Overcoming Merit," October 1995.)



MIKE LUCKOVICH

Buchananism's most coherent statement is not some obscure "paleoconservative" tome but a book by the widely acclaimed, very establishment social critic Christopher Lasch: *The True and Only Heaven* (1991). It is devoted to denouncing progress—not just the discredited idea that history is inexorably moving toward some utopia, but the more modest concept of an open-ended, incrementally improving future. Lasch detested the very concept that the future might be better.

As an alternative, he celebrated a Buchananite populist vision, complete with paeans to the parochialism, anti-intellectualism, and lack of ambition associated with such working-class neighborhoods as South Boston. Lasch sniped at "female careerism" and suggested that every single young person who found success in the 1980s was an exploitative, rule-breaking opportunist driven by "raw ambition" rather than "devoted service to a calling." Mingling fashionable anti-technology sentiment with vaguely fascistic body worship, he attacked the "educated classes" for sheltering themselves from the elements, and for encouraging excessive tolerance: "The educated classes overcame fanaticism at the price of desiccation."

Such sentiments pass for wisdom in establishment circles, where humanities professors are proclaimed seers if they denounce air conditioning as a hideously artificial perk of the global elite. Lasch was favorably reviewed in *The New York Times Book Review*, *The Washington Post Book World*, and *The Los Angeles Times Book Review*.

Last year, he added to his populist brief with the posthumous *Revolt of the Elites*, which sprang from a much-praised *Atlantic* article. Its thesis and rhetoric show up in nearly every Buchanan speech: Evil elites—rootless cosmopolitans—have withdrawn from real America. They are unpatriotic and a threat.

"Many of them have ceased to think of themselves as Americans in any important sense, implicated in America's destiny for better or worse. Their ties to an international culture of work and leisure—of business, entertainment, information, and 'information retrieval'—make many of them deeply indifferent to the prospect of American national decline," wrote Lasch, without any convincing examples.

Revolt was not as polished a work as *The True and Only Heaven*, but it was respectfully received and heavily promoted by the publishing establishment. William Powers of *The Washington Post* described it as "all over the intellectual magazines."

FRIDAY
JULY 4, 1997

FINANCIAL

ESTATE TAX ABOLISHED

BENEFITS TO ALL AMERICANS ARE OVERWHELMING

By ARLENE DAVIDSON, staff writer

FLAT TAX IN! CAPITAL GAINS TAX OUT! ESTATE TAX OUT!

The president has declared today, July 4, 1997, *Financial Independence Day*. All Americans have won, as he signed into law massive revisions to an outmoded tax system that has long cried out for reform. Public enthusiasm is strong as young and old alike look forward to lower taxes on income and the elimination of taxes on inheritances, interest, dividends and capital gains. In short, a bigger pie with larger slices for all. Elimination of capital gains taxes and initiation of the much talked about flat tax will provide greater opportunities, not just for the wealthy but for Americans at every level. Business people - farmers - men and women everywhere can now look forward to a tax system that is practically free of the complicated loopholes that have cut into earnings and savings. With the passing of this bill, a massive explosion of growth is anticipated, an explosion that will create more jobs, greater o tunities for all and muc Wealth and d childr hei vil

Using life insurance and an irrevocable trust, I can show you how to reduce the estate tax cost so your heirs can inherit virtually your entire $10 million estate. Should the estate tax be eliminated, they will still receive the $5 million produced by the policy, increasing the value of your estate to $15 million. *That's a 300% increase. Either way, you can't lose!*

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Our votes for the next president of the United States will make all the difference, so consider the options carefully before casting your vote. Send faxes or letters to your congressman. Write to the editors of local newspapers. Insist that your voice be heard! I'm talking about a win-win situation. A situation where everyone flourishes. A situation that provides greater opportunities for all. Now isn't that what America is all about?

Barry Kaye

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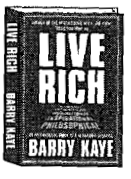

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An awful lot of intellectuals relish such respectable Buchananism. It makes them feel superior to people who know and care about business. And it panders to their self-hatred. This year, however, it stopped being a self-indulgent cocktail party game and became a political movement.

IN THE SHORT RUN, BUCHANANISM POSES problems for Republican leaders, who must deal with Buchanan's "brigades." Unfortunately, the GOP's current strategy seems to be to embrace as many Buchananite positions as possible, betraying their base to block a third-party challenge. (The litmus test is legal immigration.)

But Buchananism won't go away after this election. And in the long run, it poses a greater challenge to the divided left. It should force a great many "liberal" intellectuals to take their glib antiliberalism seriously—to examine *all* the conclusions that proceed from their trendy attacks on dynamism and cosmopolitan values.

Buchananism is a coherent ideology. It provides a unified vision of a static America, in which both social and economic institutions remain fixed through the exercise of rhetorical ostracism and government power—and in which nation and tribe are equally static. The two halves of this ideology cannot be separated. Viciously anti-cosmopolitan language about the consumers of foreign goods—politically essential to radical protectionism—cannot peacefully coexist with a cosmopolitan social regime that tolerates the consumption of unpopular cultural goods or minority lifestyles. Buchanan knows this. His intellectual allies, with the exception of Lasch, who is dead, generally haven't admitted it.

Buchanan's racially tinged language, his use of anti-Semitic code words, his defense of the Civil War South, his celebration of tribalism, his anti-gay attitudes, *and* his attacks on business "butchers," financial markets, legal immigration, and international trade are all part of the same world view. It is a world view that rejects as evil and treasonous what Frederick Turner has called "the universal solvents," the commerce and popular art that cross national boundaries, intermix cultures, and reveal a common humanity. It is a world view that condemns the pursuit of happiness—or even the pursuit of truth—when it creates socially disruptive change.

This static ideology requires regular denunciations of consumer choice, individual ambition, and anyone who turns his (or, worse, her) back on the old neighborhood. It relies on sweeping generalizations about the attitudes of broad classes of people. It inevitably divides the world into good and evil, our folks and theirs. It cannot achieve the control it craves any other way.

"The battle for the future," writes Buchanan, "will be as much a battle within the parties as it will be between the parties, a battle between the hired men of the Money Power who long ago abandoned as quaint but useless old ideas of nationhood—and populists, patriots and nationalists who want no part of Robert Rubin's world." Lasch said the same thing, to wide acclaim from the intellectual establishment. He just tactfully left names like "Rubin" out of it.

You cannot build a tolerant nation by denouncing people for working with their minds, traveling abroad, buying and selling financial capital, or simply expressing optimism about America's future. You cannot preach a politics of anti-cosmopolitan hate and expect it to stay safely contained within anti-business boundaries. Michael Lind will not get the America of his dreams, a dynamic culture complete with gay marriage and transracial mixing, by suggesting that everyone who supports international trade and large-scale immigration is an unpatriotic elitist looking for cheap household help.

Such sentiments are popular on the intellectual left, a way of sneering at trade and traders, of pretending to be one with "the people" while denouncing their taste for shopping malls and Japanese cars. But, as conservatives are fond of saying, ideas have consequences. And the most recent consequence of cheap antiliberalism is Pat Buchanan. It's time his intellectual allies owned up to their responsibility. ®

Negative Returns

By Nick Gillespie

Attack ads reflect a diverse society.

TO MANY OBSERVERS, THE RECENT South Carolina presidential primary debate showcased all that's wrong with contemporary American politics. Certainly, things got heated and hostile: Bob Dole crowned Steve Forbes "the king of negative advertising." Lamar Alexander claimed, "If Steve is the king, Senator Dole is the prince." Discussing a television spot with which Alexander took issue, Forbes replied, "That was a charitable ad. That ad did not talk about some of those cozy business deals you did as governor."

"Attack ads," the chattering classes tell us, are the latest sign that life in these United States is turning increasingly ugly. But the wailing and gnashing of teeth over negative political ads is less about politics and more about discomfort with the open, hard-edged clashes that are endemic to a diverse, democratic society. Tellingly, opponents of negative ads tend to focus not on the veracity of the spots, but on their tone.

"No one has an incentive to turn down the volume and speak nicely, and that's a shame" because it feeds public cynicism, Syracuse University political scientist Tom Patterson tells *The Christian Science Monitor*. "Americans are increasingly fed up with such mean-spiritedness," opines the newspaper, ignoring reports that voters appreciate the commercials for their information value. In an article titled "Tune In, Turn Off, Drop Out," *U.S. News & World Report* laments, "In recent years [political advertising] has turned even more nasty and brutish...today, half the political advertisements on television attack a candidate's opponent rather than emphasize his or her own strengths."

Attack ads, say opponents, are a warning signal that our society is slouching toward civic chaos. "We're destroying a process with negative advertising, which is giving everybody a very cynical attitude about politics and politicians. I'm very worried about it," Rep. Richard Gephardt (D-Mo.) tells CNN.

"Hopelessness about the political process and cynicism about politicians are epidemic," bleats Tom Teepen in *The Atlanta Journal and Constitution*. "The polarization of American politics is not an accident," pronounces columnist David Broder, who chalks it up to the "increasingly negative tone and content" of the "dominant means of political communications, the 30-second campaign ads."

THE ATTACK ON "ATTACK ADS"—IT'S OK to be negative about negativity—is part and parcel of a widespread and ongoing campaign to cleanse politics and our larger culture of the rancor that accompanies real diversity and disagreement. Although Americans worship loudly at the temple of pluralism, we are quick to brand as heretical anything that seems overly defiant of or alternative to a vague and self-servingly defined "mainstream." Whether the topic is politics, television, music, or whatever, the only good edge, it seems, is a dull one.

Hence, the *Monitor* notes, in recent years more than a dozen states have passed laws prohibiting "intentionally false statements" in campaign ads, with more states considering such legislation. While such laws have little to no effect—the vast majority of negative ads trade in all-too-verifiable facts about politicians' personal and public failings—the larger impulse toward policing language in the political arena is particularly worrisome. In politics, after all, differences can be large or small, subtle or obvious, but they are always important and largely subjective—and they deserve to be heard.

To be sure, it is self-evident why a professional officeholder such as Dick Gephardt is disturbed by the public's growing distrust and disdain for politicians. And it is understandable why well-intentioned citizens might shrink from the sometimes overwhelming fracas of competing ideas and versions of the good life.

But such sounds, sights, and spectacles are firmly in the American grain; they can only be expected in a country founded on sectarian dissent and dedicated to freedom of expression. It is no easy trick to fashion *unum* out of *pluribus*, to arrive at an acceptable consensus. Indeed, to expect politics of all things to be mild-mannered and well-behaved is to deny that people will disagree vehemently about who to elect, what to buy, and how to live.

Those who fret over the "polarization of American politics" and "cynicism about politicians" fundamentally mistake the signs of a robust social order for a civic apocalypse. While there is no doubt that America's public discourse can at times get ugly, nasty, and disturbing, that is merely an indication that diverse views and voices are getting a hearing. Like the marketplaces for goods and services, the marketplaces for politics, ideas, and culture itself are rowdy and raucous gatherings, filled with haggling customers who shout and scream, who beg and plead, and who buy in, hold out, or walk away from the table altogether.

This is something that Tocqueville understood as quintessentially American: "No sooner do you set foot on American soil," he wrote in *Democracy in America*, "than you find yourself in a sort of tumult; a confused clamor rises on every side, and a thousand voices are heard at once, each expressing some social requirements."

As more-ambitious plans to ban negative political advertising are bandied about on talk shows, as the government implements "voluntary" TV ratings and bans "indecent" language on the Internet, and as pundits bewail the fraying of American culture, it is well worth remembering that a busy marketplace is louder than an empty one. ®

Code Blue

By Rick Henderson

How to save us from the cybercops

INFINITY BROADCASTING HAS RACKED UP hundreds of thousands of dollars in fines from the Federal Communications Commission because Howard Stern has used "indecent" language on his radio show. But Stern's also a popular author. At press time, his *Miss America* had been on *The New York Times* best-seller list 15 weeks. And Stern certainly doesn't tone down his act in print. You can barely turn a page without finding language many adults might find offensive.

Thanks to the Communications Decency Act, a section of the new telecommunications law, the government could send people to prison for merely talking about Stern's book—as long as the conversation takes place in cyberspace. The act sets $250,000 fines and jail terms of up to six years for anyone who uses interactive computer networks to make "indecent" language or pictures—the same material that makes Howard Stern an FCC target—available to minors.

So while any 12-year-old can legally plunk down $20 to buy *Miss America*, if that same youngster reads a profanity-laced quote from the book on the Internet —say, one from Nick Gillespie's March review of the book on REASON's World Wide Web page—Nick (or Editor Virginia Postrel) could go to the slammer.

Defenders of the new law claim that it is not designed to stifle the transmission of serious literature; it's meant to keep Junior from finding the alt.sex.bestiality newsgroup with the family Macintosh. In a widely published op-ed column, Cathy Cleaver, director of legal studies at the Family Research Council, claims that the law's restrictions "will not criminalize Shakespeare or Joyce....Outside the courtroom, common sense helps us discern great literature from gratuitous sex."

"Great literature" may be indeed protected, since few prosecutors want to take on the Bard. But there's a large range between Shakespeare and the pedophilia materials pro-censorship forces keep waving in press conferences—including large sections of the best-seller lists. Anti-*obscenity* laws already cover both books and cyberspace. *Indecency* is a much broader standard, one based on the notion that new media don't enjoy full First Amendment protection. All the new law does is give to the easily offended nearly unlimited means to silence messages and throttle messengers they find distasteful.

BY CRIMINALIZING MESSAGES IN CYBERspace that would, in print, never attract a second look from prosecutors, Washington's language cops have ignored a tool that could empower people to protect themselves from materials they dislike: data encryption. Encryption, which scrambles messages so that they're unreadable to those who can't decode them, would let subscribers to the alt.sex.pictures.naughtybits electronic newsgroup peacefully coexist with those who frequent *Toy Story* chat rooms. It would allow individuals who are troubled by the cacophony of cyberspace to tailor their on-line communications to their own sense of propriety and taste.

For instance, encryption would let electronic newsgroups scramble their messages and give the "keys"—decoding instructions—only to subscribers. The newsgroup operators would be responsible for keeping minors off their subscriber lists. Similarly, encryption could let parents scramble any e-mail messages that arrive unsolicited or from unfamiliar addresses. Mom and Dad could decode the messages before letting their kids read them. Web sites could similarly encrypt racy messages and pictures. Encryption might also supplement or supplant the rather clumsy "blocking" software that can screen some off-color language and pictures from computer sites. And it could provide an extra layer of protection as blocking programs improve.

Tomorrow, encryption could be as commonly available as America Online signup disks. The Pretty Good Privacy encryption program has been published on the Internet. And Microsoft will bundle encryption programs with its business-oriented Windows NT operating system.

Unfortunately, encryption isn't as easy to use (or obtain) as it could be. And the government isn't helping. The Clinton administration uses Cold War–era regulations that targeted Soviet military codes to limit the sophistication of commonly available encryption programs. Current government standards dumb down encryption so much that a pedestrian computer hacker could crack the toughest codes allowed in a few hours. But encryption is computer language. It deserves the same First Amendment protections that this article enjoys on the printed page.

The rather anarchic nature of the Internet is much like the messy American tradition of natural liberty. Yet free people—even those on the Net—want to live by reasonable rules. Before Congress considered regulating the Internet, the denizens of cyberspace spontaneously developed tools to accommodate the wishes of parents, and others who appreciate civil discourse, without infringing on those who enjoy tougher talk. Most blocking programs are available for free on the Internet. And the embryonic KidCode initiative is an attempt to voluntarily "rate" the World Wide Web so that publishers can indicate whether their pages contain materials inappropriate for children.

The cultural conservatives (both Democrat and Republican) who have criminalized words and images because they're distributed by computer have used the law to impose their own tastes on a medium that defies top-down regulation. Encryption offers a compromise: a way for Howard Stern and Phyllis Schlafly to comfortably share the same stage.

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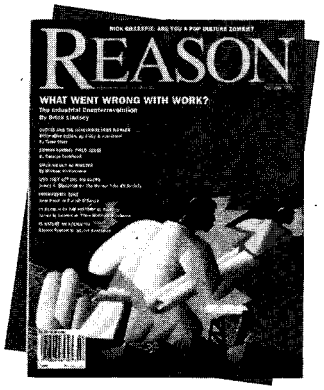

Industrial Diseases

Brink Lindsey's article "Big Mistake" (February) is a valuable contribution, but several points about it should be made. Lindsey seems to repeat the myth that America's industrial dominance was the accidental result of the destruction of competing economies by World War II. In fact, America was the leading industrial nation well before that war, and I know of no period in which America's ascendancy was less challenged than in the 1930s. Along with this, he suggests that the protectionism of the interwar period insulated American industry from positive developments abroad. It might have done so, if there had been any such developments. But I know of none, and none are pointed out. (Certainly, nothing good was happening in Germany or Japan at that time.)

It is worth asking why this should have been so, given the problem that Lindsey documents. The answer seems to be that Europe (and Japan, which took its cues mainly from Europe) was suffering from the same handicap, but even more acutely.

Michael Underwood
Arlington, VA

Brink Lindsey's article "Big Mistake" contains a few big ones of its own, relating to a misunderstanding of scientific management due to acceptance of some widespread myths surrounding "Taylorism."

First, it is unlikely that scientific management itself caused the hostility in employment relations that Lindsey discusses. That conflict arose out of the Marxist-style position that the unions themselves adopted, in which it is assumed that conflict between workers and management is a natural state of affairs. Scientific management was an easy scapegoat, but its principles, as Lindsey points out, were also adopted by unions who demarcated and segregated jobs into very narrow classifications in the mistaken belief that they would increase employment. They also used their large numbers and political pull to raise wages to the uncompetitively high level that Lindsey talks about.

In discussing Taylor's "contempt" for the mental ability of the American worker, Lindsey here drops the context of American society in the early 1900s. The level of education among the American population as a whole was not high, especially in the Deep South, and in this context the separation of thinking or work design and the work itself was entirely appropriate. It is still a hallmark of many of today's "total quality management" practices.

As Ed Locke and David Sweiger stated in their seminal article "Participation In Decision Making: One More Look," "Taylor has been criticized for decades for advocating authoritarian practices, [but] he did not advocate obedience to authority as such, but rather obedience to facts." The authority that management gained over the worker was based on knowledge.

Lindsey's comparison to Japan is an interesting one given that many of the practices advocated by the likes of Deming and Juran are based in the principles that Taylor developed, namely that authority is knowledge-based and, as Taylor writes, "Every encouragement... should be given [the workman] to suggest improvements, both in methods and implements. And whenever a workman proposes an improvement, it should be the policy of the management to make a careful analysis of the new method and conduct a series of experiments to determine accurately the relative merit of the new suggestion and of the old standard."

This is exactly the principle that the Japanese have followed under their *kaizen* system. (Taylor himself advocated continuous improvement.) However it is not their real strength. The real strength is that the Japanese actually consider the relative merits of a new program rather than just picking up on every new fad in training programs or organizational concepts.

One should not be against bigness per se. The only companies in Japan that tend to use *kaizen* extensively are the very large organizations. While Lindsey has discussed many useful ideas in his article, especially in the area of self-managed teams and flatter organizational structures and no government intervention, I believe he misses the real issue. It is not because of scientific management that America lags behind the Japanese. It is rather a failure to adhere to its principles (the same principles that they use) and to treat some of Taylor's statements in the context that they were written. What the Japanese really have over you Americans is that they did not abandon reason: Rather, they encouraged it.

Mike Beverland
Auckland, New Zealand

Brink Lindsey replies: I never meant to suggest that America's industrial dominance was purely the result of World War II. Indeed, my article points out that the United States led the way in creating the world's first mass-production economy—a transformation that was largely complete by the 1920s. By contrast, the new techniques were not widely diffused throughout Europe and Japan until the 1950s. Nevertheless, America's relative economic strength was surely exaggerated temporarily by the destruction World War II visited upon the rest of the world. That

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unnatural dominance, in turn, bred sloppiness and complacency.

Furthermore, Mr. Underwood is simply wrong when he implies that America was so far ahead of the world that its protectionism was harmless. In selected industries, foreign competition was perceived by U.S. industries as a very real threat—that is why they clamored for protection. In particular, the United States imposed its first anti-dumping law in 1916 largely in fear of rising German industrial might. And Japan's textile industry was sufficiently developed by 1936 for the United States to slap on restrictive quotas. A note of common sense: These countries could not have made such a credible bid at conquering the world without formidable industrial bases.

As to Mr. Beverland, I tried my best within the space constraints of a magazine article to put Taylorism's sins in context. I pointed out that scientific management was responsible for enormous productivity gains; I further noted that the labor movement's collectivism would have ensured labor-management conflict even if Taylorism had never existed.

All that said, the truth remains that Taylor and his disciples thought of workers as idiots, and treated them accordingly. You can't read Taylor's writings fairly and miss this point. As a result, Taylorism encouraged a mindset among managers that was stubbornly resistant to any workplace innovations that would incorporate workers' brainpower into the production process. In turn, being treated as mindless cogs had to—and did—breed resentment and alienation among workers. Accordingly, I stand by my judgment that scientific management shares in the blame for the poisonous labor relations that have plagued America's great industrial enterprises.

Corporate Harassment

With great amusement and pleasure I read Thomas W. Hazlett's "Corporate Rakeovers" (February) in which he mocks the Baptists for harassing the Disney corporation, the federal government for harassing the Hooters chain, and Hollywood for harassing corporate Vegas. Corporation bashers deserve all the bashing they can get.

It is certainly true that corporations are fair game in some people's minds. One of my colleagues shoplifts only from chain stores, never from mom-and-pop establishments. She may be an intellectual, but she knows the difference between good and evil.

What bothered me about the article was the lumping of Baptists, federal law, and Hollywood all together. When any individual or group of people does something stupid, I don't really mind; it usually just makes me laugh. But when the law does it, it is a crime, and I get mad. I am perfectly willing to laugh at the foibles and hypocrisies of the Baptists, and even at those of my fellow professors (though they are a more dangerous crowd, to be sure), but I can't laugh at a pernicious, nationwide public policy that is enforced by fines, imprisonment, confiscations, and the like.

If Disney loses money because of the Baptists' agitation—tough. After all, K-mart loses money every time you shop at Wal-Mart. Just a bit of creative destruction and spontaneous reordering. But when Hooters loses money because of federal law, it is an outrage.

I realize that many libertarians don't like either kind of limitation on their freedom of choice, social or governmental. But to an Old Whig liberal the distinction is what matters most.

Richard L. Leed
Ithaca, NY

GOP Gone Wrong

Virginia Postrel's editorial "Bloc Busters" (February) was most insightful. I too have watched as the Republican Party's focus has been diverted from a less government/more freedom agenda to one dominated by cultural/social issues. I wonder, however, how much of this can be ascribed to a weakness within the party leadership as she suggests.

While the catering to the Christian right by Republican presidential hopefuls, driven to some degree by Buchanan, Dornan, and Keyes, is seen as a necessity within the various campaign organizations, I agree that the grassroots voters are not so single-minded. In fact, even Ralph Reed has stated many times that the people represented under the umbrella of the Christian right are united by issues far more diverse than just cultural. As Postrel noted, they too pay taxes, struggle with regulations, and want the government to leave them alone.

Republicans are just lousy salesmen for their policies. The Democrats have years of experience polishing their one-liners and sound bites of demagoguery.

I feel the Democrats have successfully steered the discussion toward the social issues where they feel most comfortable attacking the conservative agenda. They know from the results of the '94 elections that if the public and media concentrate on the broad philosophical argument of the size and scope of government and its role in our lives, the average voter will side with the conservative/libertarian proponents. This has forced Republican members of Congress to devote too much time defending themselves and left precious little for advancing the ideas of free markets, less government, and less taxes.

Donald Holtzinger
Walnutport, PA

Postrel's February editorial is spot on: Republicans fail when they talk incessantly about "culture" and stray from the goal of radically reducing government. This is true because the case for cutting government is much stronger than the case for using government to encourage good values, and because Republicans who were elected to reduce government will be removed from office if voters perceive them to be insincere (the George Bush syndrome).

You are right, too, about opportunistic conservative intellectuals like Bill Bennett and the editors of *The Weekly Standard.* (That anti-Internet cartoon on the cover really rubbed me the wrong way with its gratuitous Luddism. I had thought that

only thuggish leftists use the word *smash* the way it is used there.)

Indeed, there are many disappointing similarities between conservative intellectuals and liberal ones. Both groups largely consist of people who make their livings by manipulating words. I think that what mainly bothers them about Internet newsgroups is that the Net allows ordinary people with shared interests to communicate directly with each other, bypassing journalistic interlocutors. High-priced middlemen always accuse the competition of being evil.

Both groups also comprise people who probably don't have to worry about government regulating or taxing or punishing them out of business; about their land being confiscated; about legal nightmares imposed at whim by unaccountable government functionaries; about vague, overreaching laws written by arrogant legislative staffers who don't have a clue about real-world consequences of their favored policies. Both conservative and liberal intellectuals tend to be out of touch with the realities of most Americans' lives.

Instead, conservative intellectuals focus on the budget deficit, sex in movies, the horrors of the Internet, inadequate prayer opportunities in public schools, etc. None of those issues is anywhere near as important as, for example, the FBI's murder of unpopular religious people, or the fact that government takes almost half of our income.

I believe that many Americans would agree with me on this point, that while they may be religious, and are profoundly concerned about cultural problems, most citizens are essentially libertarian in political outlook. And it is precisely libertarians and not conservatives who have been vindicated politically by the success of Republicans' "get government off our backs" approach. This political approach, rather than well-intentioned governmental intrusiveness, is most likely to create conditions favorable to cultural renewal. One hopes Republicans, too, will soon realize this.

Jonathan Gewirtz
nqn@ix.netcom.com

Rethinking Rand's Roots

In his review of my book *Ayn Rand: The Russian Radical* ("Reaching for Roots," February), James G. Lennox has deeply misunderstood my views. My lengthier response can be found on the World Wide Web (http://pages.nyu.edu/~sciabrrc).

Regarding the historical evidence for a Rand-Lossky relationship, Lennox argues that I upgrade the "possibilities into established facts." I remain self-consciously speculative, however, while giving Rand the benefit of the doubt. *She* claimed to have studied with Lossky. Though I disclose evidence that heightens our skepticism, I argue that Rand's recollections seem consistent with the historical record. To conclude otherwise would imply that Rand was a liar.

My historical thesis does not hinge on this specific relationship, however. Dialectical method was endemic to Russian philosophic culture, to Rand's college texts, and to the teachings of virtually every Petrograd professor. It was present in the intellectual air that Rand breathed.

Lennox incorrectly attributes a Hegelian historicist conception of dialectics to me. Moreover, he equates dialectics with anti-dualism, ignoring its essential characteristics: organic unity, abstraction, integration, and internal relations in systemic and historical analysis. In employing such an approach, Rand was courageous enough to recognize what was right in the false alternatives she opposed, even as she overturned what was wrong. And whenever she emphasizes the primacy of existence or the efficacy of reason, she always shows a keen awareness of the internal connections between consciousness and existence, mind and body, reason and emotion.

It is not my claim that Rand simply misunderstood dialectics. Rather, she equated dialectics with historical materialism, a notorious tool of Soviet propaganda. Dialectics as a method, however, was an uncontroversial critical technique employed by most Russian thinkers. The father of such dialectical inquiry was Aristotle, and as I argue, Rand remains true, in essence, to her Aristotelian roots, both methodologically and substantively.

Given his misreading of my thesis, it is no wonder that Lennox fails to see any evidence in Rand's letters of this dialectical approach. A careful reader of the letters will find explicit references to "organic wholes," as well as countless examples of her ability to trace critically the internal relationships between seemingly disparate factors, such as politics, sex, and art.

Finally, I am dismayed that Lennox has virtually ignored Part Three of my book, and its original reading of Rand's social analysis as a radical, tri-level critique of contemporary statism.

Leonard Peikoff, among other commentators, has emphasized the organic structure of Objectivism. I have extended such insights to the whole of Rand's project, encompassing literary, philosophic, and sociotheoretical dimensions. In Rand's comprehension of the reciprocal interactions between key principles, such that each supports and nourishes the other, and in her view of reason, self-esteem, and freedom as preconditions and effects of one another, there are highly dialectical methods at work. Those who refuse to recognize this dialectical structure of mutual implication and organic unity in Rand's thought ultimately diminish her revolutionary message.

Chris Matthew Sciabarra
Department of Politics
New York University
New York, NY

The extraordinary achievement of Chris Sciabarra's book *Ayn Rand: The Russian Radical* is not that he has proven conclusively that her thinking was significantly influenced by Russian intellectuals during her formative years. His hypothesis on that score may or may not be correct. His achievement is that he has brought Ayn Rand into the history of philosophy.

Nathaniel Branden
Beverly Hills, CA

James G. Lennox replies: My review of *Ayn Rand: The Russian Radical* concen-

trated on what I took to be the book's principal claim—that an important key to understanding Ayn Rand's philosophical development and Objectivism is to be found in the positive influence of the philosophical currents flowing through Russia during her early years. There is no other reason to take the many comparisons of Rand's thought with philosophers in the European "dialectical" tradition seriously unless this case is made. Further, if such comparisons invariably depend on rewording Rand's ideas in a language foreign to her own, they can't stand on their own as indirect evidence of such an influence. A 2,000-word review cannot give detailed consideration to everything in a 500-page book.

Sciabarra takes exception to my claim that he "upgrades possibilities into established conclusions"—but I cite a number of examples, among many more I collected, of this. It is not enough to admit that the book is speculative, which by itself is an admission of failure. I cite passages where something was initially claimed to be a possibility, or "not impossible," and which is later in the book assumed by the argument to be a fact. If there is no hard evidence for such claims, then they should not be converted to unqualified categorical assertions upon which the rest of the book depends.

Noting that Ayn Rand's recollections were not consistent with the (rest of) the historical record does not mean she was a liar. There are a number of other possibilities—for example, it is possible she was simply mistaken, perhaps in an innocuous way. My claim was that the evidence he adds to what we already knew on balance doesn't support her recollection—that is *all* I said. If a fair reading of Sciabarra's evidence leaves people uncertain about the relationship between Lossky and Rand, it is not *they* who need to provide a better explanation. As Dr. Sciabarra knows, Ayn Rand was fond of citing a maxim about "the onus of proof...." It is Sciabarra who is asserting the positive, not his reviewers.

Dr. Sciabarra now says that his historical thesis doesn't hinge on this specific relationship. Yet far and away the greatest energy is expended by *Sciabarra* in making this particular connection, rather than, for example, doing a careful study of the textbooks that would have been used by Rand. More hinges on this than he thinks, because if this connection is a mere speculation, then the central thesis of his book is undermined.

In my review I accepted without question Sciabarra's claims about what was "in the intellectual air" in Petrograd in the early 1920s. Ayn Rand tells us she was deeply *repelled* by most of it. The question is, Can it be established, with a reasonable degree of plausibility, that Ayn Rand absorbed a peculiar form of dialectical philosophy from the air, and made it her own? It is not enough to say "it was in the air, she must have."

Contrary to what Sciabarra says in the letter, I was careful *not* to present a narrower view of dialectic than he does—thus I quoted his words fairly heavily. But the "historicist conception" of dialectic which he now disowns is consistently drawn upon in his book, both in characterizing Rand's methodology, and in buttressing claims of fundamental similarity between Rand, Hegel, and Marx.

It is claimed that I ignore what is most essential to dialectics. But concepts such as "organic unity" and "integration" are not necessarily tied to a dialectical way of thinking. Dialectic views these as means of transcending dualities and apparent oppositions, etc. That is the differentiating feature of dialectic, and it was on this, among Sciabarra's characterizations, that I focused.

On Ayn Rand's dualism, I can only say that in the sense that those in the 19th–20th-century dialectical tradition take consciousness and existence to be non-dualistic—i.e., in the sense that reality is a "construct" of consciousness constituted by reason, and so on—Ayn Rand is a dualist. She is adamant on many occasions that existence in no way depends on consciousness.

As for Aristotle, he is not the father of dialectic as found in the tradition of Kant, Hegel, and Marx. Plato is the person who claimed that dialectic was the route to transcendent truth—Aristotle seriously demoted dialectic from this role, in favor of logic. "Dialectics" as the term evolved from German Romantic philosophy, the form found in Russia in Ayn Rand's youth, has little to do with Aristotle's *Topics*—but that takes a long argument to establish. At any rate, Ayn Rand discusses her debt to Aristotle often, and *never* mentions that it was his theory of dialectic that influenced her.

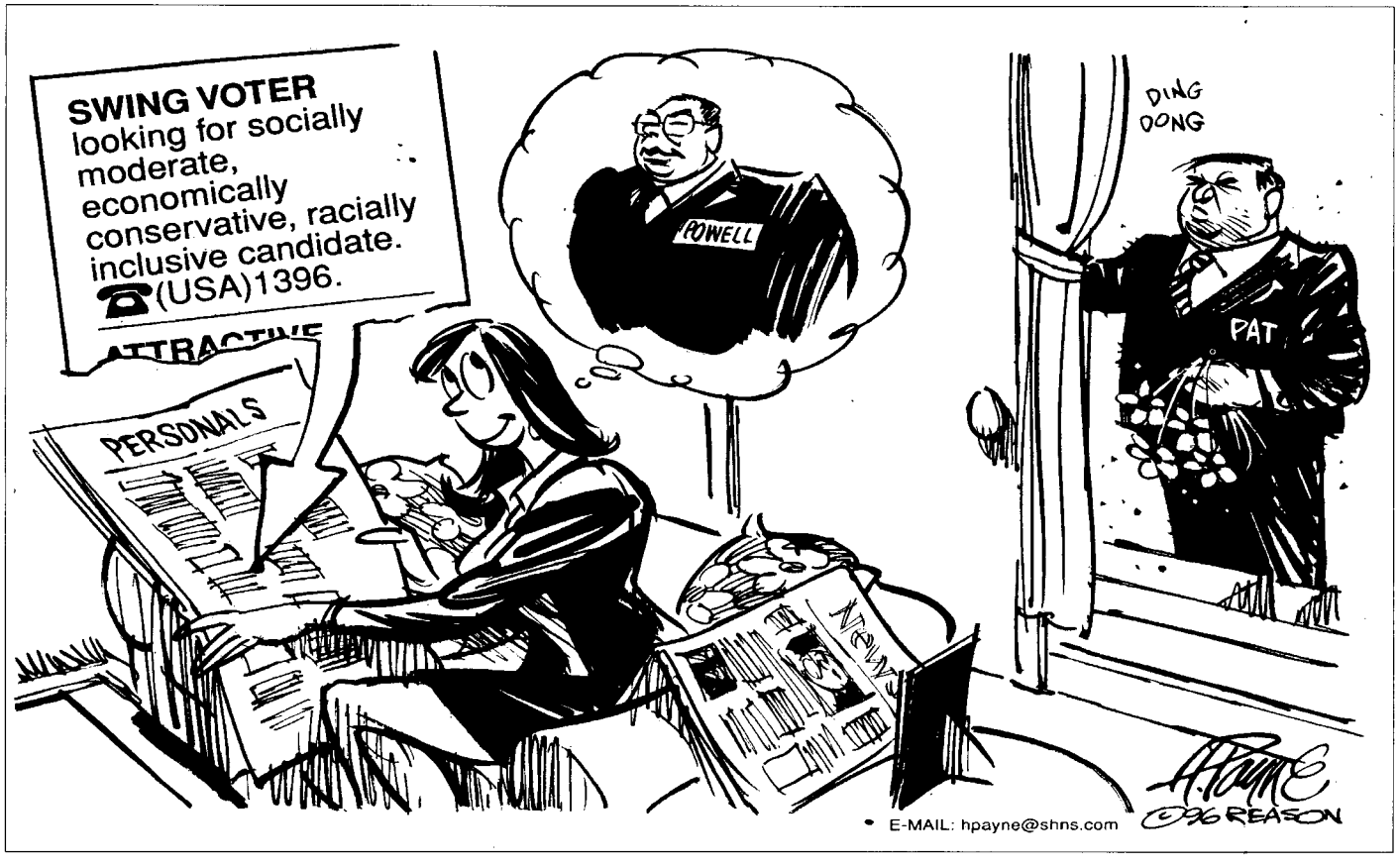
Sciabarra closes his letter by saying that "those who refuse to recognize this dialectical structure of mutual implication and organic unity in Rand's thought do great damage to her revolutionary message." This is a question-begging remark, one of a number in his response: to "refuse to recognize" or "fail to see" something presupposes it is there to be recognized or seen. The central thrust of my review is that Sciabarra has not given his readers reason to believe his central claims. Furthermore, it lessens, rather than increases, the revolutionary message of Ayn Rand, to assimilate her to the dialectical philosophical tradition—she is far more revolutionary than that.

It is an indirect message of my review that Ayn Rand's place in the history of philosophy has been distorted by Dr. Sciabarra's book. Thus I emphatically disagree with Dr. Branden's assertion.

CORRECTIONS

- In Rick Henderson's Trend "Hitting the (Financial) Books," (February) the repayment model developed by Human Capital Resources was misstated. Under the model, a borrowing student would repay 0.22 percent of her income for each $1,000 received, and a student receiving $50,000 would repay 11 percent of her income.
- In James G. Lennox's book review, "Reaching for Roots," (February), his e-mail address was misstated. The correct address is jglennox@vms.cis.pitt.edu
- In Jacob Sullum's editorial "Drug Charge," (March) the total number of drug arrests in 1994 was misstated. There were 1 million drug *possession* arrests that year.

SCOTT STANTIS



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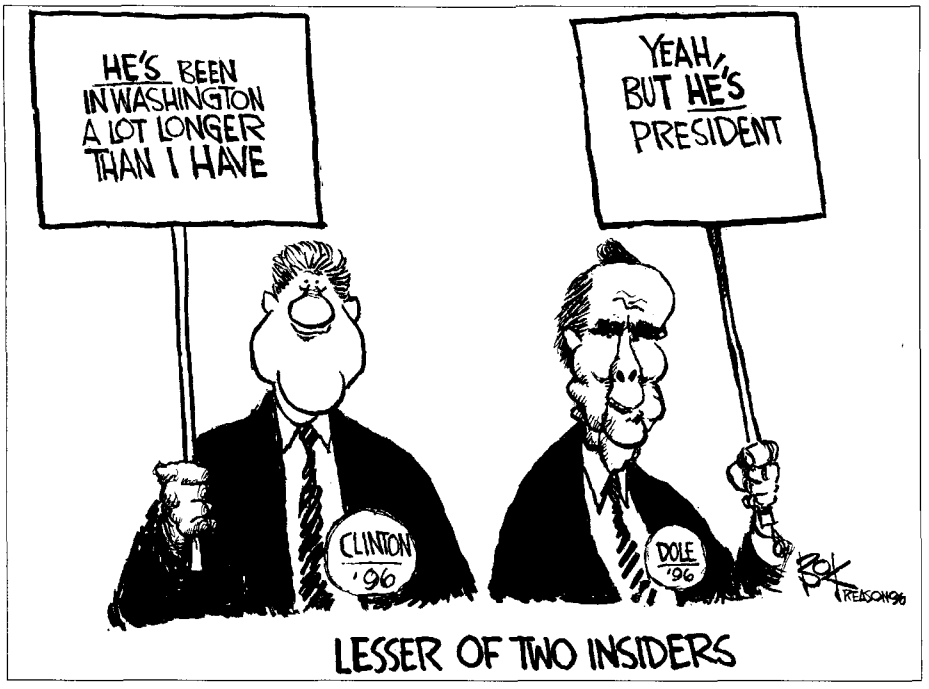


CHIP BOK

We all know that the Army and the Navy have a bit of a rivalry. It usually shows up in a spirited football game every year. But sometimes it gets a bit out of hand. In Leesburg, Florida, a woman interested in joining the military talked to recruiters from both the Army and the Navy. The Army representative told her that the Navy couldn't provide the sort of training that she wanted. The Navy recruiter overheard, and went over to tell her that they could indeed provide that training. About an hour later, three Army sergeants, one armed with a crowbar, tried to trash the Navy recruiting office. Two Marines heard the ruckus from their own office, and a brawl started.

Our Hypocrite of the Month Award goes to Cablevision Systems. The large cable operator recently announced that it would no longer carry the Ultimate Fighting Championship, a no-holds-barred martial arts competition. Executives refused to discuss this decision on the record. But reportedly, after three years, they finally figured out that the event, one of the most popular programs on pay-per-view, is violent. Cablevision will continue to carry boxing, a sport in which four to five participants die each year in the United States alone.

The Center to Prevent Handgun Violence and Rep. Charles Schumer (D-N.Y.) have shown themselves to be no friends of the Second Amendment. Now it seems they are going after the First Amendment as well. They're asking the Federal Trade Commission to censor gun ads that imply that having a firearm in the house can make a person safer. Americans use guns to defend themselves from criminals 2.5 million times a year. Apparently, gun control advocates don't believe that protection from criminals makes one safer.

In Argentina, the nation's top drug-enforcement official has resigned after being arrested for kidnapping two men and threatening them with a gun. He allegedly abducted the two after finding them painting graffiti in favor of an opposition political party.

Jim and Bev Harris got along well with everyone in the Clearwater, Florida, trailer park where they spend their winters. That is, until the Harrises decided to hoist the flag of their native Canada outside their home. Their neighbors demanded that they take the flag down. One told them that it was against the law to fly the Canadian flag. It isn't, of course. But some people seem to think that it should be. Said one neighbor, "I don't know who came up with this idea to let everyone fly their flag. This is America."

In Stamford, Connecticut, a passerby reported finding the body of a baby by the side of a road. A medical examiner was called to the scene, and he pronounced the baby dead. The body was then sent to a medical lab for an autopsy. There, the "baby" was found to be an anatomically correct doll.

Daniel Burford has a home page on the World Wide Web. Lots of people do. But Burford likes to take photos of famous people and make their heads "explode" on his page. Among his subjects: Bill Gates, Tom Hanks, Boris Yeltsin, Rush Limbaugh, and Bob Dole. This last didn't sit well with the Secret Service. They hauled Burford in for questioning.

If you live in the New York area, you may wonder what the Port Authority does with all the money it collects from tolls at bridges and tunnels. Well, for one thing it buys artwork. Its collection, valued at over $26 million, includes works by modern masters such as Pablo Picasso. But you'll probably never get to see it. The art graces the offices of agency officials, which usually aren't open to the viewing public.

In Alabama, the state attorney general is threatening to sue the University of Alabama for hosting a conference on homosexuality. He claims the university is violating a state law against using public facilities to promote activities that are illegal under the state's sodomy law.

Rep. Joe Kennedy (D-Mass.) wants the FCC to set up a toll-free hotline so people can call to complain about violence, sexual perversity, and other offensive matter they may see on television. The line will probably light up like a Christmas tree if anyone shows a documentary about his family.

—Charles Oliver

Power Struggle

Sparks fly in electricity deregulation debate.

By Ed Carson

SWITCHING ELECTRIC UTILITIES MAY soon be almost as easy as switching on a light. That's the general consensus of utilities, consumer groups, and regulators. But they can't agree on how to change the current regulated monopoly system to a competitive market.

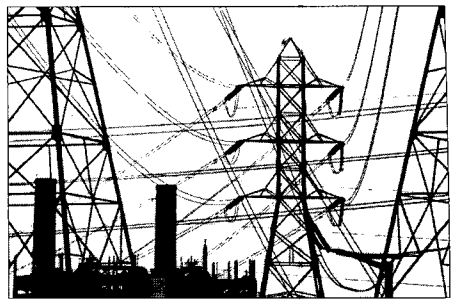
Electricity deregulation has been gaining momentum since Congress opened up the wholesale power market in 1992. In 1994, California's Public Utilities Commission said it would take the lead in rewiring the retail electricity market for competition. Other states looked to California as a possible model for their deregulation plans. Now after two years of heated debate, the PUC has voted 3–2 in favor of a compromise proposal supported by Gov. Pete Wilson and Southern California Edison, the state's largest utility.

Beginning in 1998, power generators will sell electricity in a newly created wholesale energy pool. Most customers will continue to purchase electricity from their old utility, but rates will be based on the pool price. Large industrial energy users will be able to make "direct access" deals with any power producer. Individual ratepayers will have to wait until 2003. Consumer groups worry that individual ratepayers won't see rate reductions until that time. However, SCE has promised to reduce rates by 25 percent over the next five years. Electricity rates in California are 50 percent above the national average.

The PUC plan's most controversial provision allows utilities to recover 100 percent of their "stranded costs." Stranded costs are utilities' investments or obligations—many mandated or encouraged by regulators who guaranteed utilities a positive rate of return—that would be unprofitable in a market environment.

That could lead to financial disaster: Moody's Investors Service estimated last year that 34 of the nation's 114 investor-owned utilities have stranded costs higher than their total equity. Under the California plan, utilities can add a surcharge to their current customers until 2005, even if they sign on with another company.

Consumer advocates concede that utilities probably will recover some of their stranded costs, but they believe ordinary ratepayers shouldn't bear the entire burden for utilities' bad investments. "[The California utilities'] way of making money is to get out of bed in the morning,"



says Arthur Lyons, who advises Palm Springs on electricity deregulation.

California still has to hash out the details. Even if the divided commission approves a comprehensive blueprint, the California legislature and federal regulators have to sign off on the plan. By that time other states may have moved ahead of California. And Congress or the courts could step in and preempt state action. ®

Do the Math

Immigrants make up high percentage of scientists and engineers.

By Ed Carson

The United States relies heavily on immigrants for its scientists and engineers, according to recently released data from the 1993 National Survey of College Graduates. The survey finds that foreign-born people hold 9.8 percent of all science and engineering bachelor degrees in the United States and 23 percent of all doctorates. And 28 percent of the doctorate holders engaged in commercial R&D are foreign-born.

Foreign-born share of individuals in the United States trained in science and engineering, by degree

(in percent)

Field	Bachelor's	Master's/ Professional	Doctorates
Engineering	13.9	28.4	40.3
Chemical	17.0	32.5	38.6
Civil	17.3	36.4	50.6
Electrical/electronic	14.8	28.6	39.1
Mechanical	12.8	30.3	38.1
Life Sciences	8.0	15.0	21.3
Agricultural	5.6	16.0	20.7
Biological	9.4	15.5	21.5
Mathematical/comp. sci.	11.3	21.9	33.6
Computer	13.6	29.0	39.4
Mathematical	9.2	13.2	31.1
Physical Sciences	11.3	17.1	25.9
Chemistry	14.8	23.6	25.7
Geosciences	5.2	9.7	16.8
Physics/astronomy	11.2	20.0	30.6
Social Sciences	6.7	10.1	13.1
Economics	11.1	25.5	23.6
Political Science	6.9	12.4	14.9
Psychology	5.9	6.1	9.0
Sociology/anthropology	4.4	13.1	14.4
All science and engineering	9.8	18.0	23.0
Nonscience and engineering	6.8	7.7	12.4

Source: National Science Foundation/Science Resources Studies, National Survey of College Graduates, 1993

Immigrants are less common in the social sciences—13.1 percent of all doctorates. But they supply many of the doctorates in the so-called hard sciences: 25.9 percent in chemistry, 39.4 percent in computer science, and a whopping 50.6 percent in civil engineering. The percentage of foreign-born scientists and engineers with doctorates is highest among the youngest age groups (28.4 percent of 31- to 35-year-olds).

JONATHAN NOUROK

Less Crime, More Punishment

A Texas study says crime falls as prisons go up.

By Nick Gillespie

DURING THE 1980S, TEXAS EXPERIenced a, well, Texas-sized increase in serious crime—murder, rape, robbery, aggravated assault, burglary, and theft. The serious-crime rate jumped 29 percent, even as it dropped by 4 percent in the United States as whole. In 1988, the crime rate peaked at eight crimes for every 100 people, about 40 percent higher than the national average. So far, though, the '90s have proven considerably less crime-ridden in the Lone Star State. The crime rate has dropped to 5.6 crimes per 100 people, the lowest level since 1973.

"Why the sharp declines?" asks Morgan O. Reynolds in *Crime and Punishment in Texas: Update*, a new study published by the National Center for Policy Analysis. "Punishment works. Incarceration works."

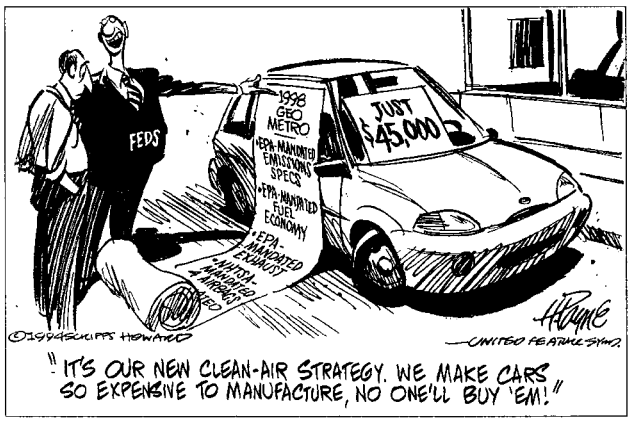
Reynolds, a senior fellow at NCPA and a professor of economics at Texas A&M University, notes that expected punishment—the amount of prison time criminals can expect when they commit crimes, given the probabilities of being apprehended, convicted, and sent to prison—increased fourfold in the state between 1988 to 1994. Reynolds attributes the boost in expected punishment to higher arrest and conviction rates and a "prison-building binge" that started in the early '90s. In 1995, the state completed a $1.5 billion prison construction program; Texas now has the capacity to house 150,000 inmates and boasts the highest incarceration rate in the country (659 per 100,000 inhabitants). In 1994, the actual average time served for all serious crimes was 3 years, up from 1.9 years in 1990.

Noting that the state's crime rates are still above national averages, Reynolds says that to keep reducing crime, Texas must continue to stay the course it has mapped out in the first half of the decade. "Texas has shown in recent years that punishment deters crime and that when crime does not pay criminals commit fewer crimes," writes Reynolds, who discusses various legal, demographic, and economic variables that influence crime rates in Texas. ℞

Guilt-Free Gas Guzzling

Cars probably pay their own way, and then some.

By Brian Doherty



EVEN ENVIRONMENTALISTS SHOULD learn to stop worrying and love their cars, says a new study from the Reason Foundation.

Numerous studies, by sources ranging from the U.S. Department of Transportation to the World Resources Institute, claim that the price tag on the window of that car you've got your eye on doesn't tell you the half of it. Those studies accuse cars of driving off and leaving the rest of us holding the bill for anywhere from $60 billion to $700 billion every year. Those numbers represent what economists call "externalities"—costs from a transaction that get laid on people not part of the deal. But Kenneth Green of the Reason Foundation, in his study *Defending Automobility*, says those numbers are full of holes big enough to drive a pick-up through.

Car use definitely does impose some unpaid-for externalities, Green grants, such as the health effects of auto pollution. But those real externalities only add up to about $8 billion a year, which is more than covered by various taxes and fees directly paid by, and only by, car drivers, which add up to at least $22 billion a year.

Most of cars' supposed external costs are more fanciful, Green finds. These include cost estimates for global warming, wetland loss, land-use impact, the value of land "wasted" as roads or parking, and military costs of keeping a steady flow of foreign oil. These cost calculations are often inherently uncertain and incalculable, as for global warming or land use. Some estimates ascribe all costs to autos even though cars' contributions to such costs as wetland loss or defending the Middle East are debatable.

Another big flaw in auto-cost studies is refusing to acknowledge unpaid for—though hard to quantify—*benefits* that cars give us, from private freedom of movement to property values jumping because of the easier access cars provide.

The calculations also ignore that since at least 87 percent of Americans are car users, most any cost imposed on society at large hits car users themselves. "When you look at auto cost estimates, you find uncritical exaggerations of cost and disingenuous omissions of benefits," Green says. "The fact is, most people own cars or benefit from them. There is no large pool of victims paying money for cars and receiving no benefit." ℞

HENRY PAYNE

Balance Sheet

By Rick Henderson

Assets

Preferential Treatment. The California Civil Rights Initiative, which would end racial and gender preferences for state employment and university admissions, qualifies for the November 5 ballot. Win or lose, the CCRI campaign will let people openly debate the value of affirmative action rather than grousing about decisions handed down by "unelected judges."

Water Works. Britain's United Utilities joins with Bechtel to privatize water treatment across the globe. *Engineering News-Record* says the $4 billion conglomerate has 21 million customers on four continents. One city benefiting from the alliance: North Brunswick, New Jersey, which just signed a 20-year treatment contract that could save residents $40 million. A Reason Foundation study estimates that the average customer pays 22 percent more for government water than privately treated water.

Net Gains. In mid-February, a Pennsylvania federal judge blocks enforcement of online censorship provisions in the recently passed telecommunications law. One week later, the American Library Association, America Online, and Americans for Tax Reform join in another suit that asks the courts to give the Internet First Amendment protection.

Derailed. Steve Forbes and Generation X revive prospects for privatizing Social Security. (See "Retirement Plans," March.) Merely mentioning Social Security privatization on the stump gets Forbes bigger applause lines than his flat tax. Gen Xers, who face huge tax increases as they subsidize the retirements of the baby boomers, lead the cheers. Meanwhile, Rep. Jim Kolbe (R-Ariz.) forms a 40-member bipartisan House caucus on Social Security privatization.

Liabilities

Border Brigades. Fidel Castro earns worldwide censure for sending MiG fighters to shoot down civilian planes off the Cuban coast. One person who should have been cheering: Pat Buchanan. After all, he wants to halt the "invasion" of America by immigrants, and Brothers to the Rescue delivers food and water to refugees off the Cuban coast—giving aid and comfort to the "enemy."

Rough Seize. In *Bennis v. Michigan*, the Supreme Court upholds asset forfeiture against innocent property owners—in this case, a woman who lost her car when her husband was caught in it with a prostitute. Since the Court sided with the police, says defense lawyer Bo Edwards in *The Washington Post*, look for states to expand forfeiture. Some proposed bills would let cops seize cars from persons charged with drunk driving.

Medal of Horror. Shoot a boy in the back, get a medal? The U.S. Marshals Service gives commendations of valor to Deputy Marshals Larry Cooper and Arthur Roderick—the possible killers of Randy Weaver's son Samuel—for their actions at Ruby Ridge. Sen. Larry Craig (R-Idaho), who championed Ruby Ridge hearings, said these commendations should "provoke outrage from many Americans."

Sweet Deal? Al Gore's plan to save the Everglades from sugar farming: Tax sugar farmers a penny for every pound they produce and use the money to buy up farmland. But, notes REASON science correspondent Michael Fumento in *Investor's Business Daily*, import quotas are really killing the ecosystem. End the quotas, which double domestic sugar prices, and farming will become less profitable.

FORBES PHOTO: JONATHAN NOUROK

Missing Links

Does TV violence cause real-world mayhem?

By Nick Gillespie

A FUNNY THING HAPPENED ON THE way to quantifying violence on television: Researchers acknowledged that the nature and extent of the link between watching TV and engaging in violent behavior is far from clear. Indeed, even *The UCLA Violence Monitoring Report* and *The National Television Violence Study*, two recently released reports widely touted as providing irrefutable proof of TV's violent nature, admit as much.

The two studies grew out of a 1994 agreement between broadcast and cable networks and Sen. Paul Simon (D-Ill.), who agreed to forestall government action on TV violence if the TV broadcasters agreed to sponsor independent analyses of their programming.

The UCLA Television Violence Monitoring Report, which analyzed broadcast programming during the 1994–1995 season, notes that it is "known" that TV doesn't have a simple stimulus-response effect on viewers. The tube's influence fluctuates wildly with socioeconomic status, viewing setting, and other variables. "When the impact of television is discussed or when television is blamed for having caused something to happen, it should never be suggested that television alone is a sufficient cause," says the study.

The National Television Violence Study, underwritten by the cable industry, looked at broadcast and cable offerings over the same time period. Like the UCLA report, it finds ample evidence of violent acts and images on TV.

But the study admits that the connection between TV and real-world violence is far from clear. "It is also recognized," says the report, "that televised violence does not have a uniform effect on viewers. The outcome of media violence on viewers depends both on the nature of the depictions and the sociological and psychological makeup of the audience." R

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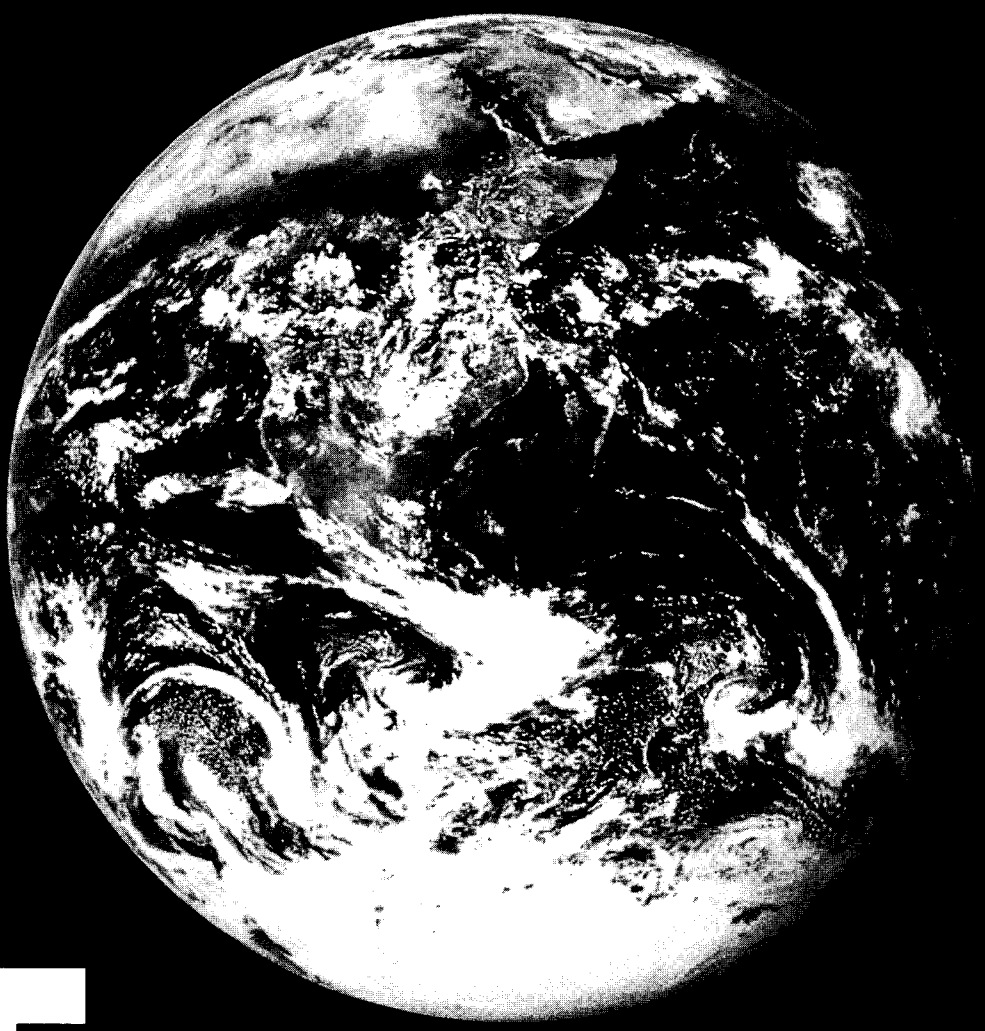
Evolutionary Ecology

A new environmental vision

By Lynn Scarlett



The 25th anniversary of Earth Day came and went last year, with little fanfare and no public demand for more environmental laws. The new Republican Congress tried, and mostly failed, to enact reforms designed to lessen the burden of environmental regulation. Behind the scenes and in public forums, various schools of environmental reform debated and discussed. They talked cost-benefit analysis and "takings" compensation, emissions trading and "win-win" environmentalism. They disagreed about many things, including basic principles. But there was general consen-

Environmental policy is finally growing up. But to make genuine improvements, rather than merely tinker around the edges, we first need to understand where the demand for environmental regulation comes from, and where it went wrong. And we need a vision of how environmental policy might be set right—of the general principles and concepts that might guide a new environmentalism.

Environmentalism is not, as its critics sometimes portray it, simply a New Age ideology foisted upon an unwilling public. The environmental *movement* has important ideological components, but the demand for cleaner air and water or for wilderness and species preservation is not that different from the demand for any other good. As living standards rise, people want to buy more environmental "goods." Pollution is as old as human activity, but only recently have we been rich enough to worry about it.

Looking across countries, University of Chicago economist Don Coursey finds a clear correlation between increased wealth, measured by per capita GDP, and increased allegiance to environmental protection. As incomes rise, per capita expenditures on pollution control increase—a phenomenon Coursey observes in most advanced industrialized nations. The amount of land set aside for protection also rises with GDP. Green groups may decry economic growth, but it is growth itself that makes environmental protection possible and popular.

Coursey's work also points up a fact often forgotten in public discussions: "The environment" is not an all-or-nothing good, but a bundle of different goods. In surveys, he asks people to indicate how much they'd be willing to spend to preserve different species. The results are wildly varied. Animals like the bald eagle and grizzly bear consistently rank high, while spiders, beetles, snakes, and snails are barely valued. The varied costs of real-world regulations reflect this distinction: Coursey calculates the amount spent to preserve a single Florida panther at $4.8 million, compared to a mere $1.17 to preserve a single Painted Snake Coil Forest Snail.

Political maneuvering may produce such disparate results, but the law does not actually recognize such distinctions, or the implicit tradeoffs they express. It declares species protection, like many other environmental goods, an absolute. Early environmentalist thinking—influential to this day—did not recognize environmental values as some goods among many but rather proclaimed them preeminent: Earth First! A California regulator describes his state's water policy this way: "If Mother Nature didn't put it in, you had to take it out—everything—that was the goal. This drove us to rigid, grossly exuberant attempts at clean up."

This absolutism suggests one way that environmental policy went wrong. It did not recognize that quality of life resides in pursuit of multiple values. People seek shelter, nourishment, health, security, learning, fairness, companionship, freedom, and personal comfort together with environmental protection. They even seek many, sometimes competing, environmental goals. They don't agree on how to marshal their resources (and time) in pursuit of these many goals. And it is often difficult for outsiders—or even individuals themselves—to know in advance how they would prefer to trade off among different values.

Competing values are not unique to the environmental arena. In fact, people make such tradeoffs every day. They also deal with another conundrum of environmental policy: the "knowledge problem."

On the one hand, environmental problems involve matters of "general" knowledge, scientific knowledge of facts that are constant across time and space. In some cases, the general knowledge is a matter of settled understanding: the boiling point of water, for instance, or the bonding patterns of chemicals. In others, it is a matter of ongoing research and scientific contention. General knowledge includes such still-controversial issues as the health hazards of various substances or the effects of CFCs on the ozone layer. Much environmental debate takes place over issues of general knowledge, and these questions are important. But they aren't the whole story.

Environmental problems and problem solving also often involve "specific" knowledge—the knowledge of time, place, and experience described by Nobel laureate F. A. Hayek in "The Use of Knowledge in Society." This information varies by circumstance and location and may change over time. Specific knowledge is decentralized—it resides on the factory floor, at a particular Superfund site, or on a specific farm.

The impacts of a landfill in a desert will differ from those near the Florida Everglades. Emitting effluent into a fast-moving stream is different from emitting waste into a pond. Using two coats of paint will have different effects than using just one coat. Resource use and emissions associated with cloth and disposable diapers will depend on how many are used each day, what kinds of disposal systems are available, and where those systems are located. Nor are environmental effects the only important specific knowledge relevant to environmental issues—tradeoffs between environmental goods and other goods may vary from situation to situation. These kinds of details do not reside in the minds of bureaucrats in Washington. Yet it is this kind of knowledge that is often most relevant to understanding environmental problems and possible remedies.

Again, there is nothing unique to environmental issues about the knowledge problem. It is a fundamental aspect of human life, something people cope with all the time.

If, for instance, an environment-loving outdoorsman wishes to equip himself for mountain climbing, he may need to buy a special jacket (among much other gear). Deciding what to buy requires tradeoffs: First, he's devoting his financial resources to a jacket, rather than to something else, and his free time to mountain climbing. Then he must decide what characteristics he wants: how much insulation, how much durability, what sort of pockets or hood, and so on—all keeping in mind the continuing tradeoff between money he spends on the jacket and money he could spend on something else. He looks at brand names and reputations. He finds out what sort of return policies and customer service the jacket maker has.

The outdoorsman has specific knowledge. He knows what mountains he wishes to climb, and at what time of year. He knows whether he's an occasional climber, or a devotee. He knows whether he wants a lot of help from a sales clerk, or sim-

ply the best price. He knows his size and his favorite color. The jacket maker, too, has specific knowledge: of supplies, of tradeoffs between design features and costs, of distribution channels, of changing patterns of demand. No one centrally decides a single jacket policy for all U.S. mountain climbers.

But behind all these considerations lie a host of social and business institutions, from the Uniform Commercial Code and product liability law to standard sizes, specialty magazines, and outdoor-equipment shops. Overcoming the knowledge and values problems is not easy or cost-free, even in well-developed markets. Companies spend millions of dollars on marketing in an attempt to better understand and address consumer values. They draw on general knowledge—on, for instance, scientific research on physiology or the properties of jacket materials. They wear-test products and adjust to ever-changing information about suppliers. They respond to the unexpected: a cold snap that sends jacket demand up, a supplier's zipper redesign, a sudden change of fashion. Throughout all these processes, they receive constant feedback, direct and indirect, from customers and suppliers.

For "ordinary" goods like jackets, we have hundreds of years of institutional evolution to make markets work, to address the problems of values and knowledge. Some of those institutions involve government policy. Many do not.

Environmental goods present special challenges because of the characteristics of these goods. But meeting those challenges has been unnecessarily difficult. For too long environmental policy has been shaped by people who demanded that environmental values trump all other considerations and who assumed that a regulatory elite possessed all necessary knowledge. Rather than figuring out how to perfect or create institutions that would allow a market for environmental goods to develop and flourish, they have been bent on opposing and destroying markets. They have seen markets not as processes for addressing values and conveying knowledge but as symbols of base commercialism and greed. This moralistic approach is finally fading. We can now begin to examine what sorts of institutions different environmental goods require—to explore a new environmental vision.

For too long environmental policy has been shaped by people who demanded that environmental values trump all other considerations and who assumed that a regulatory elite possessed all necessary knowledge. Now we can try to figure out how to perfect or create institutions that would allow a market for environmental goods to develop and flourish.

For 20 years, some of the most effective proponents of "free market environmentalism" have come out of the New Resource Economics school of thought. These economists, mostly based in the Western United States, focus on the environmental goods most easily incorporated into traditional institutions of property rights—and, perhaps not coincidentally, the oldest areas of U.S. environmental policy, dating back to the Progressive Era. Their starting premise is that individuals are predominantly self-interested. New Resource Economics then explores how different ownership settings and decision-making institutions shape incentives for stewardship.

"Actual or potential owners have incentives to use their resources efficiently," write economists Richard Stroup and John Baden, neatly summing up their thesis. Owners enjoy the fruits of efficient resource use and land stewardship through enhanced returns on their investment and maintenance of their property's value over time.

Environmental problems arise, in this model, when resources are unowned. This is the famous "tragedy of the commons," in which resources are "owned" by everyone and thus effectively by no one, because they can be used indiscriminately by everyone. Each person has an incentive to consume as much as possible, as fast as possible, rather than to preserve and protect resources for future use. According to this view, institutions, not perverse people, are the genesis of environmental problems.

"The same people who nearly destroyed the buffalo population," write Stroup and Baden, "posed no threat to the more valuable beef cattle raised on the western range. In that instance more clearly defined property rights resulted in the proliferation of beef cattle while the imperfect, if not altogether absent, property rights to the buffalo led to its near elimination."

Translated into policy, the insights of these economists encourage experiments in market creation. Environmental writer Tom Wolf describes a "Ranching for Wildlife" program in Colorado that borrows from the ideas of New Resource Economists. In the Sangre de Cristo Mountains, elk on public and private lands compete with cattle for forage. The challenge, suggests Wolf, is "to figure out how ranchers can capture value from the elk."

Hunters will pay as much as $8,000 for a license to hunt a trophy elk. But until Colorado passed its Ranching for Wildlife program, landowners were unable to take part in potential revenue from sale of hunting licenses. To cattle ranchers, then, elk were merely pests. Under Ranching for Wildlife, the state still "owns" the wildlife, but owners of large ranches can auction off, at whatever price the market will bear, a designated number of hunting licenses that guarantee trophy elk. The program, in effect, has partially privatized elk-hunting rights. Participating ranch owners now manage their lands to provide suitable habitat for elk. They also guard vigilantly against poaching of young bull elk.

One of the advantages of "privatizing" resource and land-use decisions through various property rights arrangements is that these arrangements reduce the need for consensus. Goals, such as wilderness preservation, can be pursued through private land purchases that, unlike public preservation activities, do not require majority voter approval.

Wedding their work to the pioneering work of Nobel laureate economist James Buchanan and Gordon Tullock on "public choice theory," the New Resource Economists are also able to explain some of the perversities that keep surfacing in public lands management. The U.S. Forest Service, for instance, has incentives enshrined in law that encourage it to allow large-scale timber cutting even when the logging costs more than the Forest Service takes in. Because bureaucrats have no rights to the resources they manage, Stroup and Baden argue, "Even when [they] are highly trained, competent, and well intended, the information and incentives they face do not encourage either sensitive or efficient resource management."

Most environmental issues are not, however, quite that simple. Incentives and self-interest are always present, but they are not the whole story.

Markets work for jackets and, with a little work, for elk because these goods have certain characteristics that make transactions relatively simple. It's possible to clearly specify who owns what, to identify buyers and sellers, and to convey all the necessary information for trades to take place. As a result, the market operates as a discovery process to address the knowledge and value problems—and to encourage improvements over time, such as better jacket brands or improved elk forage.

In other cases, however, things aren't so clearly defined. There are frictions: hard-to-divide goods, parties too numerous or scattered to be identified, vital information that isn't easily shared or easily known, blurry property lines. Institutions must evolve to deal with these hard cases.

One such institution is the common law. The common-law approach asks, "What happens when one person's sphere of activity conflicts with another person's?" The result is a focus on the concepts of liability, nuisance, and trespass; the role of courts in evaluating harms and benefits; and their role in resolving conflicts by clarifying the scope of different intersecting rights.

This blurry realm is not confined to a few difficult air pollution problems (and, in fact, common law may not work well for air pollution). Anywhere people congregate, conflicts emerge over sights, smells, and physical invasions that include everything from factory smoke to ugly houses to one neighbor's leaves falling on another's yard. They also include potentially big nuisances such as toxic air emissions or discharges of waste into water bodies.

The common-law framework offers a means of further clarifying rights and refining just what "enjoyment and use" of one's property means. It is thus both a mechanism for conflict resolution and a means of discovering the scope and limit of rights.

Consider an apartment building with a noisy air-conditioning unit that disturbs a neighbor. Asked for injunctive relief, one tool of common law, the court may emphasize the neighbor's rights, requiring the apartment owner to eliminate the air conditioner noise—unless the neighbor agrees to some other arrangement. Or it may assign the owner the rights, declaring that the neighbor must put up with the noise unless he can make a deal with the owner. In actual conflicts, injunctive relief usually balances the two interests. "The law of nuisance," says Chicago economist Coursey, "actually would tend to use a rule that looked like a combination...: the apartment owner may make noise with impunity up to some critical level, and, if the apartment owner makes more than the critical level of noise, the single family may obtain an order of the court directing the apartment owner to reduce the noise down to the critical level."

In his famous "Coase theorem," Nobel laureate Ronald Coase developed the theoretical underpinnings of this sort of institution. In a friction-free world, where there are no "transaction costs," he argued, it doesn't matter which side is given the rights, because the two parties can always make a deal. (This calculation covers only the question of whether activities will occur, not issues of fairness, where distribution of rights does matter.) If your air conditioner is making noise you have every right to make, I can pay you to stop; if, on the other hand, you have no right to a noisy air conditioner without my permission, you can pay me to grant that permission. Problems arise in the real world, however, because transactions aren't free and the way rights are defined affects the cost of reaching agreement. So social institutions, such as courts, step in and assign rights to minimize conflict and maximize wealth, at least in theory.

Common-law tradition embodies a discovery process that clarifies and refines rights boundaries and obligations in those blurry realms where different sets of rights intersect. Common law tends to follow precedent, and precedent can only be disturbed by private parties bringing new cases with slightly different circumstances or new arguments. As the law gets better and better at maximizing the welfare of the parties in a particular kind of case, fewer and fewer such cases will be brought. As a result, the common law tends to settle on fairly efficient rules—those that make the value pie larger. Private parties then bargain "in the shadow" of settled law, dividing a larger pie than they would under rules not tested over time.

Common law, write economists Bruce Yandle and Roger Meiners, "continues to evolve. Changing preferences and improved understanding of pollution problems continuously enter the arena of law." And, unlike statutes, common law takes into account the particular circumstances of specific situations.

The common law can work to mediate disputes between discrete, identifiable parties. But, concede Yandle and Meiners, "It is hard to imagine how common law could address urban auto emission control, ozone layer problems, and global warming, to the extent that the science of those problems becomes more settled." In such cases, it is much too difficult to identify a clear-cut "polluter" and a clear-cut "plaintiff." Either most people fall simultaneously into both categories or the cost of dividing the environmental good—clean air, an undisturbed ozone layer, etc.—is much too high (sometimes approaching infinity).

Yet the problems of knowledge and values remain, and so does the demand for environmental goods. The trick for environmental reformers is to develop a vision of evolving institutions that permits different sorts of institutions to address different

kinds of issues, and to do so at the appropriate decision-making level. It helps to think of this challenge as a sequence of interrelated questions, a decision tree based on the characteristics of the particular environmental goods involved.

In some cases, what is needed is not political rule making but business institutions, analogous to standard sizes and outdoor-equipment trade shows. In these cases, environmental goods are divisible, rights are assignable, and we are in the ordinary realm of markets, where entrepreneurs are rewarded for finding ways to address the knowledge and value problems effectively. Here the only issue is allowing time for institutions to evolve on their own.

Markets for some recyclables, for instance, are hampered because buyers and sellers sometimes lack information about available supplies and demand, and uniform quality is not guaranteed. These problems resemble those of many farm commodities in the 1800s. One remedy is to mimic the experience of corn farmers a century ago: Establish a coordinated process for trading in recyclables. The recent creation of electronic listing of some recyclables with the Chicago Board of Trade is a first step in this direction.

Markets for some recyclables are hampered because buyers and sellers lack information about available supplies and demand. One remedy is to mimic the experience of corn farmers a century ago: Establish a coordinated process for trading in recyclables. The recent creation of electronic listing of recyclables with the Chicago Board of Trade is a step in this direction.

This approach differs markedly from political activists' calls to mandate recycled content in products. Those proposed mandates simply override the specific knowledge of circumstances so critical to efficient resource use. For example, mandating high levels of recycled content in certain paperboard products can require adding extra virgin (nonwaste) fiber to maintain adequate strength of the paperboard. The result is a heavier product that uses more total fiber.

Often, however, environmental goods are indivisible and present challenges to ordinary markets. Faced with these "market failures," the traditional response from the green movement has been to substitute government coercion for individual choice. Yet absolutist regulation that suppresses knowledge and imposes a single value hierarchy is not the only way to achieve such goals as clean air. It is possible to create evolvable institutions that, while they are not as simple or politically neutral as traditional markets, capture much relevant information about knowledge and values.

Traditional regulations, such as technology prescriptions and resource-use mandates, ignore the location-specific and ever-changing information critical to all production and consumption decisions. Performance standards, by contrast, allow individuals and firms to figure out how best to achieve the stated standards: to lower overall air pollution to a certain level, for instance. This is the central insight of economists who have articulated the case for market-oriented regulations like the tradeable permits scheme set forth in the 1990 Clean Air Act Amendments. (See "Selling Air Pollution," page 32.)

Tradeable permit schemes and pollution charges provide flexibility to producers (and consumers, in the case of vehicle emission charges) that should, in the long run, result in more efficient responses to air pollution problems. These approaches still require top-down goal-setting, and they are still therefore subject to political pressures that don't affect the market for jackets. In setting such standards, general scientific knowledge is critical, and often a matter of dispute.

But the problem of indivisibility—especially in the case of air pollution—makes some sort of collective goal-setting inevitable. The number of affected parties makes common-law approaches or voluntary bargaining cumbersome, given today's technologies. What is attractive about tradeable permit schemes is their potential to prepare the groundwork for creating enforceable "clean air rights" over time. For this to happen, however, legislators need to eliminate all the current language that insists these pollution credits are not rights—language that renders investment in such credits uncertain.

Tradeable permits and pollution charges are promising mechanisms. But even if we decide they are the right mechanisms to address a certain environmental problem, we still must ask who the affected parties are—who is breathing the air in question—and where, then, the goal-setting ought to be done. For three decades, we've taken for granted the idea that there should be one single environmental standard for the whole nation. But understanding the roles of knowledge and values in defining and pricing environmental goods suggests that that may not be the case. For some problems, impacts are strictly local and narrowly circumscribed. Other environmental problems may impose regional, or even global, impacts. The locus of impact should help determine where decision-making authority resides.

If most relevant knowledge is location-specific and dynamic, decisions about "how clean is clean" and what remedies to use should take place closest to where the problem occurs. For air-emission problems, that might mean a local air basin. For decisions about siting a hazardous waste facility, that might mean bargaining between landowners adjacent to the site and the site owner.

The rationale for using decentralized bargaining approaches to address environmental problems lies not with any mystical faith that small is always beautiful, nor with the now-faddish notion that all that is good must come from communities. The rationale for these approaches builds, instead, on two premises. One is the importance of decentralized information in understanding and remedying environmental problems. The other is the importance of finding ways for real people affected by real conflicts of

social space to undertake their own balancing act among competing values.

Several years ago, when the Mobro garbage barge out of Islip, New York, roamed the high seas in search of a place to unload its unappetizing cargo, nightly newscasters regaled viewers with tales of the NIMBY (not-in-my-backyard) problem. People increasingly don't want landfills—or any other "nuisance" facility—sited in their communities. But people do want to be able to throw out their waste, and the trash must go somewhere.

Political edicts directing communities to site landfills are one possible remedy. But such edicts simply override the concerns and preferences of affected individuals. Bargaining between would-be landfill operators and local communities offers another option—one already used by waste management companies. Sometimes called YIMBY-FAP (yes, in my backyard, for a price), these arrangements involve negotiations in which landfill operators offer a package of protections and benefits, including compensation, to affected landowners—or sometimes entire communities—in exchange for permission to site a landfill. The costs of the landfill are thus borne by all its customers, rather than only the property owners in the surrounding area. (The same principle applies in legal reforms aimed at requiring government "takings" compensation to landowners who bear the cost of such policies as wetlands protection. Society as a whole is buying an environmental good, and all the "purchasers" should bear the cost.)

These bargaining processes have shed light on several important decision-making conundrums.

First, surveys of New York citizens showed that acceptance of benefit packages depends on how the package is offered. Early direct involvement in the bargaining process is important to participants.

Second, perceptions matter. Just as people may "irrationally" want to buy cars with tail fins, so too they may "irrationally" dislike living next to a landfill, even if it poses no health hazards. In our study, "Too Little, Too Late? Host-Community Benefits and Siting Solid Waste Facilities," economist Rodney Fort and I note that "perception costs might be portrayed as distortions of reality, or as the inability of lay people correctly to assess the problem, but individuals will react according to their perceptions....The [perception] costs are real regardless of whether public perception is viewed as correct or rational by policy makers, scientists, and technical experts."

Technocratically minded environmental reformers fear that public perceptions will yield irrational demands, driving up costs to solve environmental problems—whether those problems involve building landfills or cleaning up Superfund sites. Those fears do not appear to be justified in circumstances where citizens face *both* the risks associated with a facility and enjoy directly the benefits—in the form of lower costs or higher compensation—associated with a particular remedy. Bargaining itself may serve as a discovery process, revealing more accurate information about both risks and benefits.

Unbounded fears may, in fact, be more likely to drive decisions toward "zero risk" in centralized decision processes. There, the costs of decisions are spread over an entire population, while the benefits from pursuing pristine clean-ups are enjoyed by those few near a particular site. The few then have an incentive to invest heavily in lobbying, while the many do not—with obvious results. Experience with many EPA regulations, and the very high cost per year of life saved associated with those regulations, confirms this observation.

The contrast between costly Superfund site clean-ups, which have occurred in a top-down, regulatory framework directed by the EPA, and more recent local remediation of abandoned industrial sites through negotiated settlements offers further testament to this point. Processes that create closer links between those who pay for clean-up costs and those who enjoy the benefits of clean-up offer a discipline missing from traditional top-down approaches. The locally negotiated clean-ups have, in general, been achieved at a fraction of the cost for Superfund sites.

Not all indivisible environmental problems will be well-suited to collective-negotiation processes, however. In a very imperfect world, sometimes national, state, or local restrictions may be the best we can do.

What distinguishes these circumstances? They involve a high degree of public consensus—even among the regulated parties—that limits or "injunctions" against the activity are appropriate. These are those very rare cases in which everyone would be better off if an environmentally damaging practice were ended, but where there will always be incentives to "cheat" unless a restriction can be enforced by law.

Most environmental problems do not share these characteristics, but some problems may come close—as in the use and discharge of acute, well-understood toxins into the air or water. Consider two examples: the case of the "mad hatter" and the problem of cadmium discharges into water in Japan. The term "mad hatter" came from the severe effects of using mercury in the hatter's trade to make felt hats. And in 1950s Japan, mining operations discharged cadmium into water that eventually found its way into the food supply, causing Itai-Itai ("ouch-ouch") disease that results in demineralization of bones. When the source of the disease was pinpointed in 1968, the Japanese government set strict effluent standards for cadmium and prohibited consumption of rice with cadmium concentrations above a specific standard.

In each of these cases, uniform standards on the handling, use, or disposal of these materials might reduce harm, coincide with broad-based public values, and lessen transaction costs associated with case-by-case bargaining or court remedies. In effect, a legal ban enforces a cartel, in which everyone in the industry is able to stop using the dangerous chemicals because they know their competitors will have to stop, too.

Such standards need not always emerge through government actions. When acute problems of this kind become known, the marketplace itself sometimes moves to eliminate use of the offending toxins. For example, after it became clear that vapors from chromium-plating processes resulted in serious health problems for workers, the costs from worker compensation claims drove industries to find ways of safely containing the vapors.

The same kind of evolution occurred among dentists in their use of mercury amalgams. The government did not ban the use

of such amalgams. However, dentists found ways of minimizing exposures to the mercury vapors created during the preparation of amalgams, and some dentists turned to substitutes. Trade associations, trade unions, professional organizations, and consumer groups often promote these kinds of changes by monitoring safety issues relevant to their members.

Whether uniform standards ought to be considered will be a function of the level of consensus regarding whether some action should be taken; the clarity of knowledge about the causation of a problem; and the level of risk associated with the problem. Where problems are indivisible, risks posed by the problem are extremely high, and causes of those risks are well-understood, public rules offer a plausible solution.

An environmental vision based on evolving institutions acknowledges tradeoffs among values, and it admits both the necessity and the limits of political decision making. And it faces squarely the underlying problem with current environmental regulations: Centralized, top-down rule making is ill-suited to a complex, dynamic world.

Clearly, an environmental vision based on evolving institutions will not please everyone. It acknowledges tradeoffs among values, and it admits both the necessity and the limits of political decision making—positions guaranteed to upset both traditional environmentalists and free market absolutists. It does not promise a perfect world, merely a slowly improving one. And it faces squarely the underlying problem with current environmental regulations: Centralized, top-down rule making is ill-suited to addressing environmental problems in a complex, dynamic world in which most relevant information is location-specific and different people have very different priorities.

Applying such a vision cannot be a matter of waving a single legislative wand. Three decades of statutes have created layer upon layer of regulations. But Congress could start with a few basic reforms. The National Environmental Policy Institute is exploring ways to craft a single statute that would phase in devolution of most environmental decisions to states. The concept is worth pursuing. Devolution to states does not really go far enough, since, ultimately, what is needed is further decentralization to local communities and, where feasible, privatization of environmental decisions. But devolution to the states is a good place to start in any reform agenda.

Similarly, Congress needs to get the EPA out of the business of prospectively approving state and local environmental protection programs. Under the Clean Air Act, for example, Congress sets air-emission standards and states are delegated responsibility for developing State Implementation Plans. Using computer models and other criteria, the EPA assesses those plans to determine whether they comply with federal law. States get full emission-reduction "credits" when the EPA's computer models show a state program achieving over time some estimated pollution reduction. But this means the EPA's assumptions about everything from population growth to commuting patterns, not actual pollution levels, determine the outcome. The process prevents experimentation. It locks states into using technologies or programs that the EPA thinks—but has not necessarily demonstrated—will work. Eliminating the prospective approval process would give states the latitude to design programs they believe will achieve emission reductions, and to evaluate and adjust those programs based on real-world data.

Above all, what is needed is a fundamental shift away from an approach that is primarily regulatory and punitive to one that emphasizes bargaining, improvement in information flows, and incentives for stewardship. The 1995 House proposals regarding takings compensation are essential to realigning the incentive equation.

Turning environmental policy in the direction of more bargaining is likely to require experimentation and many varied measures. But a place to start is in revising approaches to environmental enforcement. Current approaches have blurred any distinctions between intent and accident; the line between civil and criminal cases is not always clear; sentencing guidelines bear little logical relationship to the scope of alleged crimes.

In recent soul-searching, business leaders and legislators who led the 1995 regulatory reform effort of the 104th Congress opined that their reform vision was the right one. It was, they concluded, only their message that was inadequate. This self-appraisal is too generous.

Their message was inadequate *because* their vision was not well thought out. Pieces of that vision—such as the need to realign private incentives through takings compensation—were on target. But bills to require cost-benefit analysis and risk assessment really targeted only a symptom—high costs and skewed goals—without looking at the more fundamental problem. Would-be reformers adopted a mirror image of their opponents' technocratic, top-down approach without thinking seriously about how to ensure environmental protection in a world in which environmental goods are widely valued.

The movement toward environmental reform will not, however, disappear. And, in the long run, the past year's setbacks may provide an important opportunity: an occasion to reflect seriously not only on the politics of environmental regulation but on the alternatives to traditional methods. We have a chance to get it right this time, but only if we are willing to invest in developing a dynamic vision. ®

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ART MATSON

PROPERTY FRIGHTS

WHY PROPERTY RIGHTS INITIATIVES ARE LOSING AT THE POLLS

BY ED CARSON

When Phil Marble went door to door in Bellevue and Seattle, Washington, last fall soliciting support for Referendum 48, a sweeping statewide property rights initiative, he used his own experience to get people's attention.

A Washington native, Marble had worked as a reforestation contractor and landscaper in the '70s and '80s. Then in 1990 he decided to start a nursery that would specialize in native plants. He bought 16 acres in a rural area of Whatcom County, which butts up against the Canadian border.

Six months later, the nearby Nooksack River flooded and scoured topsoil off of much of his property, leaving one-third to one-half useless for nursery purposes. The state Soil Conservation Department quickly approved Marble's plan to replace the topsoil. But several of his neighbors were major players in the local and county governments, and they wanted to direct future flood waters from their land onto his. Naturally, they didn't want to pay for it.

"I was the fall guy. I was new on the block, and I guess they figured I could be a pushover," Marble says.

Just as Marble was finally ready to begin replacing 40,000 yards of soil, the county suddenly issued a stop-work order in September 1993. The order didn't list any specific violations; it just stated that he was exceeding the approved restoration plan. Later county officials told Marble he was filling in a floodway and ordered him to create a channel seven feet deep, 200 feet wide, and 1,200 feet long. But according to Marble, no such floodway had ever existed in the past—and he has an engineering study and 50 years of aerial photographs to prove it. Gene Aarstol, one of Marble's neighbors and head of the Deming Diking Association, wrote in a February 12, 1996, letter to Whatcom County Executive Peter Kramen that "there has been a floodway and overflow channel through Mr. Marble's property ever since my 94-year-old father and I can remember."

County officials didn't back down, so Marble filed suit against the county on Fifth and 14th Amendment due process grounds. His case has been in federal court for nearly two years, and chances are it will drag on for years to come.

Marble estimates he's racked up $300,000 in engineering studies and lawyers' fees, and that's not counting the cost of keeping nearly half his land idle. To get by, he's been freelancing as a landscaper. Though he doesn't want to dwell on his predicament, it's clear he's very concerned about the future.

"Look, I'm 49. It's taken five years of my life, and it takes years to get any plants on line. What am I going to do?"

Even if he wins, he could lose.

"We're talking about so much money that the county would have to pony up. I could end up winning, but still owe large amounts to my lawyer," says Marble.

When Marble finished telling his story, people would shake his hand, tell him how much they sympathized with his situation—and say they were going to vote against Referendum 48.

"It was very disheartening," he says.

Disheartening not only to Marble but to property rights supporters in Washington and across the country. Referendum 48 was a high-profile showcase for the movement, and it lost by a resounding 3–2 margin. The measure was pounded in urban and suburban areas. And it wasn't the first time voters had rejected a property rights measure. In 1994, Arizona voters overturned a 1992 takings bill by the same ratio.

FOR ALL THEIR SUCCESSES, PROPERTY RIGHTS SUPPORTERS HAVE YET TO SHOW THAT THEY CAN WIN AT THE BALLOT BOX. THEY HAVE NOT DEMONSTRATED THAT THEY CAN CONVINCE THE BROAD MAJORITY OF CITIZENS THAT PROTECTING PROPERTY RIGHTS—AND COMPENSATING PEOPLE FOR THEIR LOSSES—IS A MATTER OF GOOD GOVERNMENT AND SIMPLE JUSTICE.

In many respects 1995 was a banner year for the property rights movement. Protecting property rights was a key component of the Contract with America, and dozens of states considered takings legislation. But for all their successes, property rights supporters have yet to show that they can win at the ballot box. They have not demonstrated that they can convince the broad majority of citizens that protecting property rights—and compensating people for their losses—is a matter of good government and simple justice. And they've made political and drafting mistakes that have further hampered their cause.

Future political historians may look at these setbacks as rookie errors. It's easy to forget, but the modern property rights movement is less than 10 years old. "When we founded our organization in July 1990, you probably could have counted the state and local organizations on one hand," says Peggy Riegle, chairman of Fairness to Landowners Committee, a national property rights organization.

In the mid-1980s, University of Chicago law professor Richard Epstein provided the intellectual framework for the property rights movement. Historically, property owners have received compensation only when the state takes outright possession of their land. Epstein argued that regulations that di-

minish the use and value of property are no different from any other kind of taking. Public interest law firms, such as the Institute for Justice, Pacific Legal Foundation, and Northwest Legal Foundation, used Epstein's work to launch a property rights renaissance in the courts. Disgruntled ranchers, farmers, and foresters began to coalesce and form grassroots organizations across the country.

In many parts of the country property rights groups focus their attention on federal laws: on the Endangered Species Act, the Environmental Protection Agency, and wetlands regulations. But the federal government isn't the only threat. Washington state groups direct much of their attention on the State Environmental Policy Act and state buffer zones, wetland ordinances, and fish and wildlife habitat regulations.

"Most of the buffer zones and designated wetlands come from the state," says John Carlson, chairman of the Washington Institute for Policy Studies and host of a local conservative radio talk show. Hence the movement to do something about takings at the state level.

The Washington property rights movement expanded and broadened its base following passage of the Growth Management Act in 1990 and 1991, which implemented comprehensive statewide land-use planning standards for the first time. The GMA created urban growth boundaries, sharply limiting the permissible uses of property outside them. "Thousands of property owners were wiped out at the stroke of a pen," says Jim Klauser, executive director of the Northwest Legal Foundation.

But though the property rights movement in Washington and elsewhere grew rapidly, activists spent most of those early years in rural areas out of the limelight and without political influence. Like the Congressional Black Caucus today, property rights supporters were a minority faction in the minority party. In Washington state, they spent five years at the legislature just trying to get committee hearings for their bills. Frustrated by inaction, Dan Wood of the Washington State Farm Bureau organized a petition drive for an "initiative to the legislature" in 1994. As the name suggests, this type of initiative goes to the legislature, which must pass the measure within two years without any changes or it goes to the ballot. If the initiative passes, it becomes law without the governor's signature.

Activists didn't have high expectations that the legislature would pass any property rights bill, so they went for the brass ring. Unlike most takings legislation, Initiative 164, as Referendum 48 was known then, had no threshold for compensation—compensation was due for *any* regulatory taking, no matter how small—and was not limited to environmental regulations. The measure would have required state and local agencies to prepare an economic impact statement before adding new land-use regulations for public benefit and to choose the option with the least impact on private property. Then those agencies would compensate property owners for any resulting loss in value.

The initiative languished, but then the 1994 elections changed the political environment. Republicans took control of the state House and narrowed the gap in the Senate. Suddenly Initiative 164 had a chance—if it qualified. Developers poured money into the campaign and gathered the necessary signatures. The House passed the initiative 69–27. It was bottled up in the Senate for some time, but Republicans and rural Democrats forced a floor vote and it passed 27–20. Supporters didn't have much time to savor the victory, however, because opponents quickly gathered signatures to place the measure on the ballot that November as Referendum 48. They figured that property rights protections couldn't survive a showdown at the ballot box.

Something similar happened in Arizona. There, property rights supporters had an easier time winning their initial legislative victory because the state legislature and governor were pro–property rights. The 1992 bill would have required every state agency to determine the impact of new regulations and decide how to compensate landowners for any loss in property value. Before the bill could become law, however, green groups put the measure before the voters as a referendum.

Used to being a minority in the minority, property rights activists in both states previously had little incentive or opportunity to go beyond their circle of true believers and those who were well-versed in property rights. Suddenly they had to take their case to voters who knew little or nothing about the issue and find a way to convince them in 15- and 30-second soundbites.

Bob Robb, an Arizona political consultant, says the campaigns made the mistake of assuming that most voters already understood and embraced their viewpoint. "Most Americans are not taught that private property is essential to our freedoms. They are taught that property rights are inferior," he says.

Robb says another problem that proponents of the Arizona campaign had was showing "clear-cut abuses that this law would prevent," because most of the egregious takings cases in that state are committed by the federal government. Dan Jansen, counsel to Arizona Speaker Mark Killian, who led the legislative effort to pass the property rights bill, concedes that may be true but says, "If you're in the state legislature, you do what you can. You can't pass a law that reins in the EPA."

Activists in Washington didn't have that problem because they could target SEPA, the Growth Management Act, and other state and local laws resulting in regulatory takings. The Referendum 48 campaign highlighted the experiences of Phil Marble and other property owners, hoping to convince voters that the state was unfairly imposing the cost of regulations on real people. These horror stories had played well among people in rural areas, who were legitimately afraid that regulations could devastate their livelihoods. But a family living in the suburbs isn't worried about bureaucrats declaring their backyard a protected habitat for the spotted owl or their swimming pool a wetland.

"Proponents never did go to the average person who rents or has a single-family home and say this situation is intolerable and is hurting the average person," says Skip Richards,

founder of the Committee for Land Use Education (CLUE) in Whatcom County. He says the campaign should have stressed how government restrictions on property hurt average voters by increasing the cost of housing and limiting job growth. But that is a hard case to make. The only direct experience that most people have with land-use regulation is with zoning ordinances. Even though people may understand intellectually that zoning raises the price of housing, those costs are hidden and indirect. If people can't see the cost, it doesn't make them upset.

And the truth is that most people like zoning. They believe it preserves the property values and character of the neighborhood. As with the school choice issue, voters in the suburbs see stronger property rights as something that would help *other* people, but would raise *their* taxes and threaten *their* neighborhoods. And if suburban voters won't give inner-city kids educational alternatives, they aren't going to vote to pay rural landowners and developers to comply with environmental regulations.

"If there is even the slightest risk that something could raise their taxes, they'll vote no," says CLUE's Richards.

That's what Marble discovered going door to door.

"People didn't want to pay for it. I heard that so many times from people I talked to," he says.

Environmental concerns also helped the opposition. Opponents in Washington and Arizona said the referenda were "pay the polluter" measures that would eviscerate environmental regulations. That charge fueled voters' already negative perception of Republicans and conservatives on environmental issues. Republican pollster Linda DiVall found in a recent nationwide survey that voters prefer Democrats 2–1 over Republicans on the environment. More damning was her finding that *Republican* voters, particularly those in the suburbs, have more confidence in the Democratic Party to protect the environment. Washington and Arizona voters are no exception.

But for the most part the opposition campaigns soft-pedaled green concerns and concentrated on a pocketbook message: This measure will raise taxes and increase bureaucracy. Late in the Referendum 48 campaign a study by the University of Washington's Institute for Public Policy and Management estimated that the initiative's cost could run as high as $12 billion. Many observers say it was a fatal blow to the pro side. "After that [study was released], most people stopped listening," says Richards.

Proponents tried to discredit the study, pointing out that it was funded by environmental foundations with connections to the opposition campaign and used data collected from local governments, which opposed 48. They argued that the study's estimates were way off, in large part because it assumed that government agencies would continue business as usual.

"I'm convinced that if [Referendum 48] had passed, it would have changed the government's behavior. We wanted government to think twice before imposing new regulations, and make sure it was worth the cost," says Tom McCabe, executive vice president of the Building Association of Washington and one of the leaders of the "yes on 48" campaign.

But they hadn't convinced voters that government behavior needed to be radically changed—certainly not at the price of higher taxes. A *Seattle Times* poll found that people who thought their taxes would go up voted no by a 3–1 margin. Even worse, Referendum 48 even lost in rural eastern Washington by 6,000 votes.

"They used a conservative argument to defeat a conservative idea," says McCabe.

Many people who supported Referendum 48 say the initiative was its own worst enemy, however. "Referendum 48 was recklessly written. Even those who defended it had to add caveats as to how the legislature could fine-tune it," says radio host Carlson, who led a successful initiative campaign in Washington to pass the nation's first "three strikes" law. "They had all the right ideas and all the right principles, but [Referendum 48's] vagaries allowed critics to make worst-case scenarios."

Wallace Rudolph, a professor of constitutional and administrative law at Seattle University, says he voted for Referendum 48, but its ambiguous wording left several important components open to interpretation: The measure would certainly apply to relevant regulations that were passed after the measure became law. But would it trigger compensation for new enforcement of old regulations (probably), or current enforcement of old regulations (very unlikely)?

ENVIRONMENTAL CONCERNS HELPED THE OPPOSITION TO THE PROPERTY RIGHTS REFERENDA. OPPONENTS SAID THE REFERENDA WOULD EVISCERATE ENVIRONMENTAL REGULATIONS, WHICH FUELED VOTERS' ALREADY NEGATIVE PERCEPTION OF REPUBLICANS AND CONSERVATIVES ON ENVIRONMENTAL ISSUES. VOTERS PREFER DEMOCRATS 2–1 OVER REPUBLICANS ON THE ENVIRONMENT.

Property restrictions for the public benefit—Referendum 48 listed regulations protecting wetlands, buffer zones, fish and wildlife habitat as examples—would have required compensation. Regulations that curtail public nuisances, which represent a harm to the entire community, would not. But there is no comprehensive list or standard to apply.

The public-nuisance standard probably would apply to some zoning regulations, such as prohibiting sewer plants in residential neighborhoods—though House Majority Leader Dale Foreman suggested that a ban on spraying pesticides near a school might require compensation. But most zoning laws would seem to fall under the public benefit heading because they protect and preserve the "essential characteristics" of neighborhoods.

However, John Groen, staff attorney for the Bellevue, Washington, office of the Pacific Legal Foundation, says that Referendum 48 would have required compensation only for regulations similar to the wetland, buffer zone, and habitat restrictions cited in the initiative—which usually leave a portion of the land completely idle. This interpretation would exclude popular zoning ordinances. But it also would mean that government agencies would have been obligated to compensate landowners when *part* of the property is rendered *completely* idle, yet could have imposed regulation that sharply *limited* the use of *all* of the property without compensation.

Even Dan Wood, the measure's original sponsor, wrote in a memo to Referendum 48 supporters shortly after the defeat that "our opponents have identified 'problem areas' with 164/48. Zoning, Retroactivity, and the Economic Impact Statement were identified as problem areas, as well as some technical language."

How could property rights supporters have drafted an initiative that Carlson says "became a millstone around the necks of its supporters"? Rudolph, who helped write the state's term limits initiative that passed in 1992, says that too often "when people get together to draft an initiative they only see the virtue of their side and no one tries to pick it apart." In the legislative process, confusing or unpopular provisions in a bill can be clarified, modified, or removed at any point until it's signed into law. But an initiative's language is frozen once it's filed, and that includes initiatives to the legislature. By the time Initiative 164/Referendum 48's "problem areas" were identified, it was too late to change anything.

Because of the 1994 elections, property rights had far more supporters in the legislature than Initiative 164's backers had anticipated. Legislators could have drafted a narrower and less-ambiguous bill, but ironically it would have had less chance of becoming law than the flawed 164. A property rights bill, unlike the initiative to the legislature, would have required Democratic Gov. Mike Lowry's signature, and he would have vetoed it. So legislators passed 164, but not before Majority Leader Foreman and Rep. Mike Padden engaged in a colloquy—a scripted exchange—intended to clarify what the legislature believed the initiative would and would not do. The legislators hoped the courts would consider that interpretation when they determined the measure's scope.

But arguing that the scope of Referendum 48 *probably* wouldn't wipe out zoning and *probably* wasn't retroactive—after all, no one could know for sure until it became law—didn't play well with the voters. "I believe the courts would have handled it and come up with the correct interpretation, but that's not going to cut it in an initiative campaign," says law professor Rudolph.

Property rights supporters looking at the results from Washington should be careful not to blame their defeat entirely on bad drafting, however. The Arizona bill was technically sound, and it was trounced by the same margin and lost in many rural areas of the state. Working on a more modest scale, however, activists have made gains even in those states. Arizona enacted a limited bill in 1995 that codifies the 1994 *Dolan* Supreme Court decision, which ruled that governments cannot force individuals to give up property rights in exchange for other rights without compensation.

In Washington state, Richard Sanders, a veteran property rights lawyer, was elected to the state Supreme Court. Jeanette Burrage, former executive director of the Northwest Legal Foundation, was elected to the King County Superior Court. Voters in Whatcom County approved a "mini 48" backed by CLUE, adding property rights language to the county charter. The state House has passed a bill this session known as "48 lite" or "48 done right," but no one gives the bill any chance of becoming law this year. Supporters are hoping a new, pro–property rights governor will be elected this fall.

Nationally, federal takings legislation remains stalled and congressional Republicans are rethinking their strategy for the entire environmental reform agenda. Referendum 48's defeat has dampened enthusiasm for property rights initiatives in other states. However, 17 states passed some takings legislation in 1995. Florida, Louisiana, Mississippi, and Texas enacted laws with compensation provisions, though none as sweeping as Washington's would have been.

Fairness to Landowners' Riegle says activists will continue to focus on legislative efforts. But property rights organizations are strongest in the West, where virtually all of the states have an initiative and referendum process. After their victories in Arizona and Washington, property rights opponents in those other states are sure to challenge any major takings measure. So in the end property rights forces will have to face voters directly in many cases.

"They say conservatives are liberals who get mugged. Maybe more rural people need for it to happen to them to be convinced," Riegle says. That might help in rural areas, but property rights activists cannot win any statewide initiative without significant support from urban and suburban areas. Until they can solve this electoral question, they aren't going to like the voters' answer. ®

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SELLING AIR POLLUTION

THE POLITICS GO IN BEFORE THE MARKET GOES ON.

BY BRIAN DOHERTY

Markets are about freely buying and selling, not arguing with bureaucrats. Markets for the right to pollute—a still unusual but growing phenomenon—are different. Witness the drama in the main conference hall of Southern California's South Coast Air Quality Management District's Diamond Bar headquarters on a warm, slightly smoggy November morning.

CHIP BOK

SCAQMD specialists rise one by one to the podium, facing a dense crowd. They hype their new "technology review"—a study of how local businesses could comply with the SCAQMD's proposed new demands to reduce volatile organic compound, or VOC, emissions in Southern California. Those demands are part of a planned extension of Southern California's RECLAIM (Regional Clean Air Incentives Market) program, one of the new breed of emissions-rights–trading programs. RECLAIM covers sulfur dioxide and nitrogen oxide emissions in Los Angeles, Riverside, Orange, and San Bernardino counties, and affects about 300 polluters. The program orders gradual emissions reductions until the year 2003—but with a twist: Instead of just reducing as commanded, polluters have the option to buy and sell the right to emit the pollutants.

When the bureaucrats finish their spiel, dozens of frustrated representatives of various small and large Southern California businesses stride up to the microphone—men and women, young and old, in business dress and flannel. They're independent consultants, small printers, employees of huge companies like Northrup Grumman, members of task forces and think tanks. All of them work in some way with paints and coatings—an unsexy subject, but the prime industrial sources of VOCs. All of them feel their livelihoods threatened by the SCAQMD's conclusions.

They explain—some patiently, some not—to the SCAQMD bureaucrats lined up before them that those bureaucrats are talking through their hat. Market or no market, no way, no how, can SCAQMD's proposed standards be met. When the meeting ends, most of them hang around, milling about and chatting. These people know each other well through the multi-year battle over what a VOC RECLAIM program might look like. I talk to some of them later.

Robert Wyman is a young lawyer representing the Regulatory Flexibility Group, a coalition of aerospace, chemical, entertainment, and automotive companies coping with air-quality regulatory hassles. He's a local point man on the issue, the man most likely to get buzzed by the *Los Angeles Times* for a quote on industry's position when a story on air-quality regs breaks. People underestimate the importance of the ...stuff...at issue with VOC reductions, Wyman says: paints, lacquers, and coatings for boats, planes, and furniture. Those substances are of more than cosmetic interest, especially in aerospace, one of California's biggest industries. "Coatings are the front line against corroding of metal," says Wyman. "They also include bonding primers that help parts stay together, so these substances affect the strength of the structure."

The SCAQMD assured its audience that plenty of low-VOC coating substances and methods are plausible; achieving the proposed reductions would be no problem. Wyman, like everyone else who spoke after the SCAQMD presentation, disagrees. "There are product performance requirements, sets of qualifications, salt spray tests, all these tests to make sure we can use these products and that they do what they need to do. We've found that no more than 50 percent of what's promised actually performs. Maybe even 20 percent. It's a sad performance rate. We have 20 years of experience trying to develop coatings to solve these problems, and we don't think it can be done. You can't replace 40 years of solvent technology in a day."

Millie Yamata, a prim, well-composed woman representing military aircraft maker Northrup Grumman at the meeting, agrees. Before her company can use a new coating, she says, "We need lots of lab development time. The whole process from a manufacturer's lab sample to the day we put it on a plane can be seven to eight years." The SCAQMD wants them in place in a couple of years.

Ed Laird was especially incensed with the SCAQMD's review. He runs a coating development company and also chairs the Small Business Coalition of California. He's been lobbying on this issue for five years, and fears it was all wasted time. While he's listed as a data source in the technology review, he insists SCAQMD never talked to him. SCAQMD is playing a dangerous game with the economic health of Southern California, he insists. "No company that uses any sort of paint, cleaner, solvent, or adhesive will come into this four-county area. It just wouldn't be wise."

And for all of the brouhaha, the proposed program, which would hit only those emitting over four tons of VOCs a year, would have affected only around 5 percent of the VOCs emitted in Southern California. A lot of the pollution comes from numerous tiny stationary sources. And much of it comes from cars.

Unfortunately, as L.A. environmental consultant John Bellheimer notes, people in California "don't like to realize that Pollution-R-Us. They like to think it's factories. They always say no when someone tries to curtail free driving. Pollution cutting is very dear to the public's heart as long as it doesn't hit home."

For now, those with grievances at that November meeting have won. In early January, SCAQMD announced it was abandoning its plans to extend RECLAIM to VOCs.

Business lobbying bureaucrats? Looks more like politics than markets. But this jockeying for advantage is a necessary prelude to any venture into "market" solutions to air pollution problems. Despite years of experience, no one's figured out how to take the politics out of the market in pollution allowance trading.

It wasn't supposed to be that way. Since the federal Clean Air Act of 1970 was passed (as much because of polluting industries' desire to make an end run around state regulation as from growing environmental consciousness), air-quality control mostly has worked through "command-and-control"—government telling polluters *how* to do things as well as *what* to do. Command-and-control has large bureaucratic costs, can stifle innovations, and doesn't encourage anyone to do any better than the law demands.

Efficiency-minded economists had been toying for years with what might be a better way: pollution-rights markets. Instead of ordering *how*, the government could just command *how much* and allow businesses to cut compliance costs—and potentially to profit—by trading licenses to pollute. Those ivory tower ideas have gotten some trial runs in the real world. The Environmental Protection Agency allowed trading in lead credits while phasing out lead from gasoline in the '80s. The EPA also allowed small-

scale trading of emission rights for an assortment of pollutants—including sulfur dioxide, carbon monoxide, and nitrogen oxides—beginning in the mid-'70s. Because of the complicated bureaucratic nature of the program, those markets showed little life. Economist Robert Hahn, now of the American Enterprise Institute, concluded that the early programs caused negligible additional harm to the environment while still saving billions of dollars in total permitting and emission-control costs.

Emission-rights trading scored its biggest national success when Title IV of the Clean Air Act Amendments of 1990 created the largest-ever national pollution market. The market was among electric utilities, and the commodity was sulfur dioxide—targeted for its alleged role in causing acid rain.

But before the market gets to work in government-created pollution markets, the overall allowed level of pollution gets decided politically. Markets aren't allowed to answer the question, How much pollution do we want? Perhaps none could. So pollution baselines get set by bureaucratic ukase. And since different parties want different baselines, that means political fights.

Southern California's proposed VOC RECLAIM program was scuttled over those fights. Environmentalists thought the proposed baseline was too high. Because of a local business recession, industry had been emitting less pollution than the initial maximum under VOC RECLAIM. Environmentalists bristled at a pollution-control program that started off allowing *more* emissions than the year before. Businesses argued that the glide path doesn't matter if the end result is the same; enviros complained that the end result means nothing to the people stuck breathing bad air now. SCAQMD couldn't split the difference and gave up.

For the national sulfur dioxide trading program, the designers had to steer a path between environmentalists' mistrust of trading the right to pollute and the business community's mistrust of tough reduction goals. "What we had to do was throw everyone in a room for however many weeks and not let them out till they had a baseline," remembers Boyden Gray, then a White House official who fought hard for the sulfur trading program. His role was such that one emissions-trading insider swears, admiringly and ironically, that Gray "command-and-controlled emissions trading on the utility industry."

Utilities fought for the earliest baselines they could get, Gray explains, so they could benefit from reductions they'd already done. Environmentalists wanted later baselines to make sure reductions started from the lowest possible level. The eventual compromise cut national sulfur dioxide emissions from their 1980 level by 10 million tons a year, on a glide path ratcheting down year by year until 2010.

IN THEORY, POLLUTION-RIGHTS TRADING ALLOWS EVERYONE TO REDUCE POLLUTION AS CHEAPLY AS ANYONE CAN. IF ANOTHER UTILITY CAN CUT EMISSIONS MORE CHEAPLY THAN YOUR UTILITY CAN, YOU CAN REAP THE BENEFITS OF THEIR KNOW-HOW BY BUYING THEIR EXTRA ALLOWANCES.

Electric utilities were given yearly allowances to pollute, largely based on what emissions were from 1985–87. Each allowance gives the right to emit one ton of sulfur dioxide. At the end of the year, each utility must prove to the feds that it holds at least as many allowances as it emitted tons of sulfur dioxide that year, as measured by devices called continuous emission monitors at the end of stacks. If it doesn't, it's fined $2,000 per extra ton emitted and faces an equal reduction in its allowance baseline for next year. Within those parameters, utilities have room to maneuver—and to buy and sell.

Here's where the theoretic glories of emissions-trading schemes come in. If one utility can reduce emissions below the number of allowances it holds for that year, it can make money selling extra allowances to a utility that couldn't reduce enough. This gives reason to beat the regulation: If you do better than the regs demand, you can profit by selling excess allowances to others.

In theory, this system also allows *everyone* to reduce pollution as cheaply as *anyone* can. If another utility can cut emissions more cheaply than your utility can, you can reap the benefits of their know-how by buying their extra allowances. Economists' models hold out sugar-plum promises of huge efficiency gains and cost savings if the market in allowances is robust—possibly billions every year.

Have those economists' dreams come true? It's still early in the game for sulfur dioxide trading. While trading began in 1992, the actual commands for emission reductions began only in 1995—and then only for 110 of the most highly polluting utilities. The second phase begins in the year 2000, when every sulfur-dioxide–emitting utility becomes part of the market—another 700 or so potential buyers or sellers.

Some apparent magic has already appeared. Sulfur dioxide emissions are falling far ahead of the EPA's schedule. A General Accounting Office study of the allowance trading program finds that by 1997 annual sulfur dioxide emissions will be 30 percent lower than expected. Utilities are doing better than the EPA demands.

Also, prices for the two main reduction options—switching to lower-sulfur coals and installing scrubbers to eliminate sulfur at the end of your stacks—are falling. Here's where the real benefits of the program come in, some analysts say. "The purpose of this program isn't to trade allowances," says Dallas Burtraw of Resources for the Future, a Washington-based environmental think tank. "It's to give firms flexibility to comply in the least-cost manner. And the program has thrown input markets into direct competition with each other and set loose forces that have

created innovation."

Falling prices are hitting every industry that allows utilities to reduce emissions: rail transport, coal markets, scrubber markets. Rail transport prices from the West, where much lower-sulfur coal is, to Eastern and Midwestern users have fallen 50 percent, Burtraw says. When the Clean Air Act Amendments of 1990 were first passed, low-sulfur coal was projected to cost $40 a ton in 1995. Instead, the price hovers around $25 a ton. Scrubber prices have also fallen by around 20 percent. Other forces undoubtedly contributed to these trends. But competition among different potential compliance mechanisms is clearly helping push costs down.

The price for complying by buying emissions allowances is also lower than expected. The EPA has held an annual allowance auction in March since 1993, selling off 2.8 percent of the total yearly allowance allocation and distributing the proceeds back to the utilities. Allowances at this auction, conducted by the Chicago Board of Trade, are going at fire-sale prices.

FALLING PRICES ARE HITTING EVERY INDUSTRY THAT ALLOWS UTILITIES TO REDUCE EMISSIONS: RAIL TRANSPORT, COAL MARKETS, SCRUBBER MARKETS. COMPETITION AMONG DIFFERENT POTENTIAL COMPLIANCE MECHANISMS IS CLEARLY HELPING PUSH COSTS DOWN. THE PRICE FOR COMPLYING BY BUYING EMISSIONS IS ALSO LOWER THAN EXPECTED.

At the first auction in 1993, the average price for a spot allowance was $156. By 1995, it had plummeted to $132, about half the EPA's forecasts. Private brokers condemn the EPA auction as no indication of the real market—most utilities are doing private trades outside the auction's auspices—but in the outside market, allowance prices in late 1995 had fallen as low as $120.

Another positive side effect of allowance trading has been the rise of environmental charities that strike at the guts of the stated goal of environmental activism: cleaning the environment. For less than $150, an eager environmentalist can make sure that a whole ton of crud never enters the air. A Cleveland-based environmental charity called INHALE (National Healthy Air License Exchange) has spent about $120,000 buying allowances since the program started, and acts as broker for individuals (and in some cases, schools) that want to put their environmental dollars to direct use. Some utilities have been giving away allowances to charity; Northeast Utilities of Connecticut, for instance, donated 10,000 to the American Lung Association in 1993.

Despite some benefits, all is not rosy with emissions-trading markets. For one, the sulfur program's national structure sticks in many people's craws. Free marketeers like Fred Smith at the Competitive Enterprise Institute, a Washington think tank emphasizing free market environmentalism, condemn the program as "market socialism" because the government set the sulfur reduction goals—goals based on the assumption that sulfur-dioxide–generated acid rain was a severe crisis, killing forests and lakes across the nation. That crisis view isn't supported by the National Acid Precipitation Assessment Program, the government's own study on acid rain. "The sulfur trading market diverts attention from *what* to do to *how* to do it. We shouldn't fall back on instruments to avoid discussing goals," Smith says.

Environmental activists also have problems with the program's national scale. National reductions in overall sulfur emissions are all well and good, but regional desires can conflict with the national standards. New York state was unhappy that a state utility could profit from selling emission allowances that might end up in the hands of a Midwestern utility—whose extra emissions might rain back down on the Adirondacks. The New York Assembly has twice passed bills banning such sales, but the bills haven't gotten through the Senate.

The Adirondack Council, an Albany-based environmental group, and the Natural Resources Defense Council are suing the EPA to set standards dictating how much sulfur dioxide can fall on specific regions, not just a cap for the whole nation. "The EPA's rules have a catchall prohibiting states from taking actions that interfere with allowance trading. We're trying to challenge that provision," says David Hawkins, an NRDC lawyer pursuing the case.

California's Citizens for a Better Environment is also suing about emissions trading, over Southern California's RECLAIM program. A provision of California's Clean Air Act requires any new pollution-control program to be at least as good as the program it replaces. Because initial allocations under RECLAIM are higher than the recession-created trough that industrial activity in the Los Angeles area is crawling out of, CBE says RECLAIM fails that test.

CBE is also concerned with localized problems versus widespread trading. "If groups in a certain area buy enough credits, they can pollute as much as they want," says CBE staff attorney Richard Drury. "And from our limited data, they seem to center in poor areas. It's economically efficient to dump things on poor people. Hot-spot problems and environmental justice can't be addressed with trading schemes, only with command-and-control."

If New York state or California's CBE are able to squash participation in allowance markets in ways they don't like, or if every trading decision has to be vetted for its possible effects on specific regions or localities, national trading programs, or even multi-county ones like RECLAIM, would be severely hampered.

Many partisans of the sulfur trading program are disturbed at how sluggish the market is. Despite low, low prices, hardly anyone seems to want to buy the darn things—even, the General Accounting Office reports, when

it costs a utility more to reduce emissions than to buy allowances. The GAO calculates that if utilities traded more, by 2002 they could be saving $1.2 billion more a year than by intrautility trading alone. But something is holding utilities back—perhaps many things.

To begin with, the utility industry is uniquely unsuited for a brave new experiment in applying market forces. Utilities are among the most highly regulated businesses in the country, watchdogged closely by multiple levels of government. Local air-quality districts, state public utility commissions, the Federal Energy Regulatory Commission, and the EPA can all have a say on a utility's every move.

Utilities don't charge customers what the market will bear. Every pricing decision, and every cost decision, needs to be justified in "prudence reviews" before regulatory boards, either before or after the fact. The utility industry has never been one where bold, independent action was welcome, and that corporate culture won't change instantly with a wave of the EPA's magic market wand. Utilities crave answers from their public utility commissions before they act.

DESPITE LOW PRICES, HARDLY ANYONE WANTS TO BUY THE EMISSIONS CREDITS—EVEN WHEN IT COSTS A UTILITY MORE TO REDUCE EMISSIONS THAN TO BUY ALLOWANCES. IF UTILITIES TRADED MORE, BY 2002 THEY COULD BE SAVING $1.2 BILLION MORE A YEAR THAN BY INTRAUTILITY TRADING ALONE.

But most state regulators haven't made the important decisions the emissions market requires. For example, how will the value of the emissions—or the profits made by trading them—be treated in the ratemaking process? Without knowing beforehand what the end results of allowance trading might be, and without knowing if they'll be able to reap the profits of any smart trading decisions, utility executives tend to err on the side of caution. The result: no trading.

"If utilities are going to take the risk inherent in purchasing and selling allowances, you need a commensurate reward," says James Evans, the director of environmental activities with the Edison Electric Institute, which represents investor-owned utilities. "They need to know whether there will be an equitable split between ratepayers and shareholders. It could end up being heads I win, tails you lose. If you make a good deal, the benefits go to the ratepayers. But if in retrospect it appears that had you done something differently it would have been a better deal, then your shareholder bears the burden. In that scenario, which is not unlikely, there's no incentive at all to take that risk."

Public utility regulators are now debating how to handle emissions deals in prudence reviews and ratemaking. But so far only four states involved in Phase I of the sulfur dioxide market have yet made rigorous, detailed regulatory decisions fully covering their treatment of allowances, says Ken Rose of the National Regulatory Research Institute.

Unfortunately, now isn't the best time for utilities to adjust to the vagaries of allowance markets. The industry is facing enormous regulatory changes. On the horizon are the possibilities of selling off federal power administrations, breaking up vertically integrated utilities, and placing all power in the system in power pools where energy flows in and out on a pure bid system. In the midst of great uncertainty, skittish utilities are neglecting the needs of this strange new market system that they weren't really prepared for in the first place.

Besides the inherent problems of national goals vs. local standards and the nature of the utility industry, the 1990 trading program also suffers from design peculiarities that stymie the market.

The pollution-trading market lacks something that most regular markets have: more-or-less dependable property rights. To leave regulatory wiggle room, and to protect the EPA from possible future Fifth Amendment "takings" problems, the Clean Air Act explicitly states that allowances are *not* real property rights. The government can change the rules of its market game at any time. New regulatory notions are always on the EPA's agenda, so making drastic changes in your operations expecting the regulatory regime to stay the same seems foolish.

James Johnston, a former senior economist with Amoco Corp., says this lack of firm property rights is the key to the market's inactivity. "The government's like Lucy holding out the football to Charlie Brown," says Johnston, who is now with the Heartland Institute, a Chicago-based free market think tank. "You never know when they'll pull it [allowance rights] away." Allowance prices are so low for a simple reason, Johnston maintains: No one values them highly because their security as property can't be trusted.

That might explain unexpectedly low prices, but not a lack of trades that seem economically sensible. The trading program has other problems that tend to either discourage trading, confuse the market, or drive down the apparent price of the allowances.

One problem is the set-up of the auction where the EPA offers new credits for sale and lets utilities sell allowances to each other. The auction isn't like the familiar New York Stock Exchange, where all trades occur at one market-clearing price.

In the EPA auction, every buyer pays what he bids, but sellers with the *lowest* asking price get the *highest* bid. As Timothy Cason, an economics professor at the University of Southern California, explained in a *Journal of Environmental Economics and Management* article, that system encourages people to "under-reveal their true cost of emission control...because lower asking prices increase the probability that a seller trades with high-bidding buyers." This curious system was written into the act by Congress, emulating the structure of Treasury auctions.

But unlike the Treasury bills market, the emissions market has more than one seller, which leaves room for unnaturally low sale prices.

Another problem is the trading program's two-phase structure. To ease in the burdens on utilities, the most polluting plants were thrown in first in Phase I. Other things being equal, those plants should have the lowest reduction costs, and thus be the most likely sellers of allowances. But the higher-cost reducers don't have to worry about the program until Phase II begins in the year 2000. The system thus separates likely sellers from likely buyers—and trading is less intense than it might be.

Good old-fashioned bad press also helps dampen public allowance trades. Many utility analysts and industry insiders say that public numbers about trades are severe lowballs, because many trades are done through private contracts or intrautility (where a utility trades credits among different stacks, all of which it owns). One reason for this is that when the first public allowance sale—between Wisconsin Power and Light and the Tennessee Valley Authority—was announced, the companies involved caught hell from the press for "buying the right to pollute." The TVA's executive vice president William Malec then griped to *The Energy Daily* that the sale "created an impression in the media that nothing less than a cabal of utility executives had conspired to pollute the environment for fun and profit," and that such bad press would have a chilling effect on utilities, which are forced to operate at the public's forbearance under layers of regulation.

Thus, many utilities just use one of the many private dealmakers, such as Clean Air Capital Markets and Cantor Fitzgerald, that have arisen to broker the private sales of allowances. The utilities and brokers involved tend to be close-mouthed about deals. Unlike the EPA's public auctions, no one need know the specific details of the costs involved in such trades, and most utilities are happy to play it close to the vest. Thus, emphasis on public trades as a measure of the market's success is overrated, both because full information on private trades isn't known and because even intrautility trading can save a lot of money for utilities with more than one stack.

THE POLLUTION-TRADING MARKET LACKS SOMETHING THAT MOST REGULAR MARKETS HAVE: MORE-OR-LESS DEPENDABLE PROPERTY RIGHTS. TO LEAVE REGULATORY WIGGLE ROOM, THE CLEAN AIR ACT EXPLICITLY STATES THAT ALLOWANCES ARE NOT REAL PROPERTY RIGHTS.

Problems with the sulfur allowance trading program aren't just a matter of sunk costs in an existing program. Despite the collapse of L.A.'s planned VOC RECLAIM, more allowance trading programs loom ahead, both locally and regionally. Chicago has a VOC trading program nearing completion. Maryland, Michigan, and Colorado have emissions trading plans of various sorts on the drawing board.

More ambitiously, the EPA is developing a potentially national program for trading in ozone precursors—nitrogen oxides and VOCs. The planned program, known as the "open-market trading system," differs from the sulfur program in important ways. While each individual emitter will have a cap, the program envisions no universal cap on total emissions, leaving room for new entrants.

The open-market trading system is a buyer-beware market. Unlike with the sulfur program, where you start with allowances that can be used as currency, any would-be seller of credits needs to assert to the EPA that he has reduced his own emissions, which the agency acknowledges but doesn't verify. Only then can the credit be sold. The buyer is responsible for verifying that the credits he bought were any good. "If you need to verify each trade, no one will trade," insists Boyden Gray, an architect of the sulfur dioxide program and critic of the open-market trading system. The system also has a built-in tax to effect reductions—for every 10 credits you buy, you can only use nine. The system is so filled with transactions costs for brokers to handle, such as verification, that one emission-trading insider says it will never satisfy anyone but those brokers. The program is still in the rule-making and comment stage at the EPA, but might go into effect before the year is over. Any state would have the option of joining the program to help meet its EPA-imposed ambient air quality standards, so the program's final scope, if passed, is still a question mark.

Whatever the future of emissions trading, pollution-rights markets can't work exactly like real markets. They *are* delivering at least some of the economists' dreams of cost-saving efficiencies. But the nature of air pollution makes it hard for each of us to choose in a market how much clean air is worth to us. And the nature of the political conflict over pollution—environmentalists married at least rhetorically to the notion that any pollution is intolerable vs. polluting industries and their customers concerned about costs—guarantees that managed markets in air pollution credits won't take the politics out of an inherently political system.

So what's a polluting industry to do? Dale Botts, an environmental engineer with Southern California's Steelcase, which makes and coats furniture, was one of the aggrieved parties at November's SCAQMD meeting. "Lots of people disagree with the whole concept [of emission-trading programs]," he shrugs. "But I guess you have to offer up another solution if you disagree. And I don't have any new proposal to offer." ®

Brian Doherty (BMDoherty@aol.com) is assistant editor of REASON.

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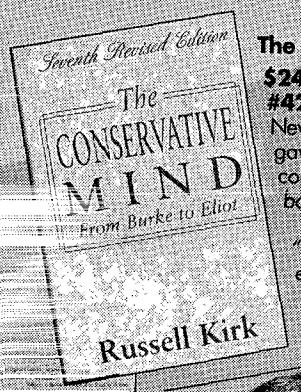

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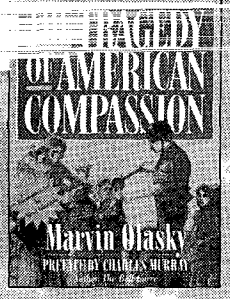

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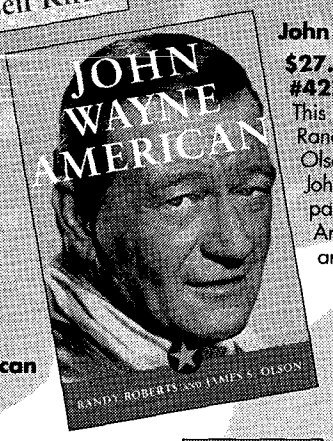

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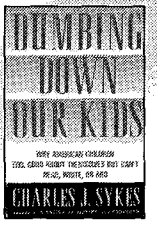

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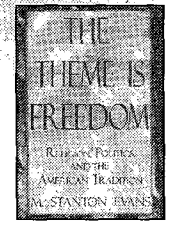

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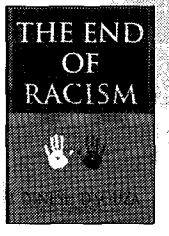

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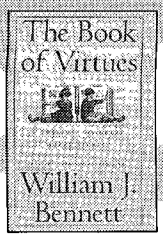

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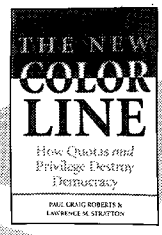

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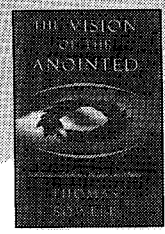

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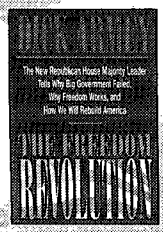

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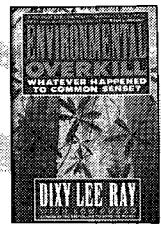

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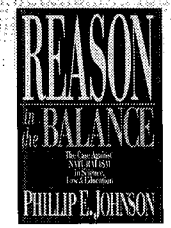

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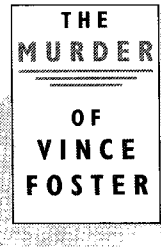

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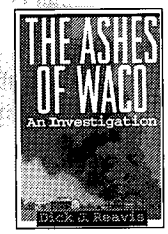

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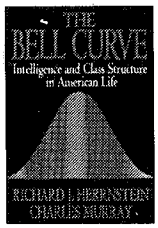

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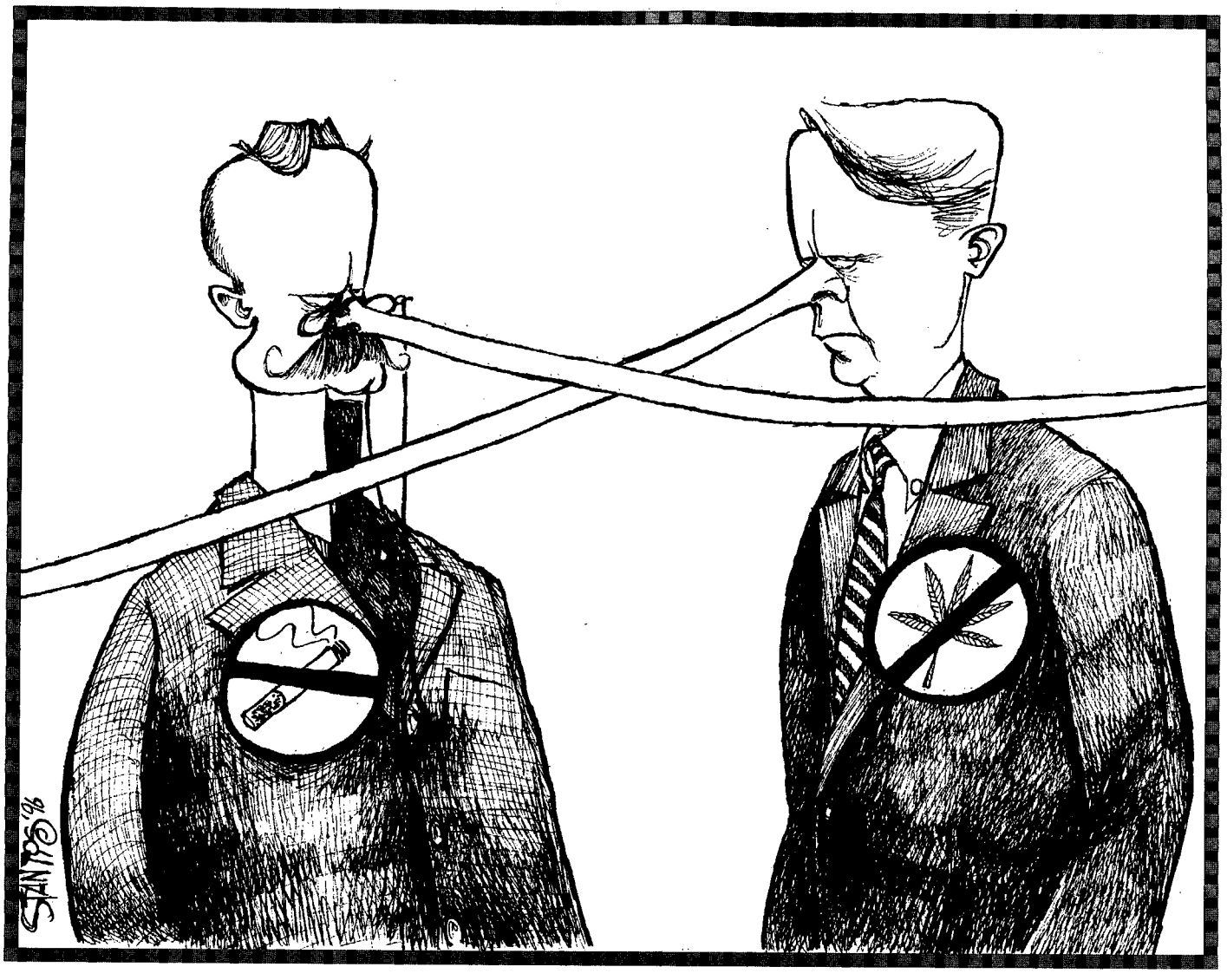

This weed will make you stupid, unemployable, and lethargic. Now it's pot. It used to be tobacco.

By Jacob Sullum

It makes you stupid. It turns teenagers into ne'er-do-wells and juvenile delinquents. It ruins academic performance, stifles ambition, and impairs efficiency at work. It leads to the use of other drugs. Today it's marijuana. Eighty years ago, it was tobacco, especially in the form of cigarettes.

"No boy or man can expect to succeed in

SCOTT STANTIS

this world to a high position and continue the use of cigarettes," Philadelphia Athletics Manager Connie Mack wrote in 1913. Biologist David Starr Jordan, the first president of Stanford University, concurred. "The boy who smokes cigarettes need not be anxious about his future," he said. "He has none."

In 1914 the industrialist Henry Ford published *The Case Against the Little White Slaver*, which included condemnations of cigarettes from entrepreneurs, educators, community leaders, and athletes. Thomas Edison, who contributed to Ford's booklet, was simply repeating a widely accepted notion when he observed that cigarette smoke "has a violent action on the nerve centers, producing degeneration of the cells of the brain, which is quite rapid among boys. Unlike most narcotics this degeneration is permanent and uncontrollable."

The anti-tobacco propaganda of this period, when marijuana was still legal but cigarettes were banned in more than a dozen states, shares some prominent themes with contemporary anti-pot propaganda. Opponents of tobacco depicted cigarettes as a foreign threat to the youth of America, sapping their energy and intelligence. They described the effects of cigarettes in terms that would later be associated with the "amotivational syndrome" supposedly caused by marijuana. They claimed that smoking led to crime, brain damage, lower productivity, and narcotic addiction. In response, they urged children to make pledges of abstinence.

These similarities are especially striking because of the marked pharmacological differences between tobacco and marijuana. The parallels suggest that responses to drug use have less to do with the inherent properties of the substance than with perennial fears that are projected onto the chemical menace of the day.

This is not to say that tobacco and marijuana are harmless. The anti-cigarette movement is far more influential today than it was in 1914, mainly because of scientific evidence that has emerged since then concerning the long-term health consequences of smoking. But today's anti-smoking activists worry about lung cancer, heart disease, and emphysema, not laziness, crime, and brain damage. When they claim that smoking hurts productivity, they are thinking of the habit's effect on physical health, not its impact on ambition or intellect. Despite the continuing controversy over smoking, the concerns about mental decay and moral corruption voiced by opponents of cigarettes early in this century seem quaint and fanciful today.

When it comes to marijuana, however, those charges still ring true with many Americans. There is some basis, after all, for pothead stereotypes. People who are under the influence of marijuana most of the time, like people who are drunk most of the time, may not get good grades in school or promotions at work. But that does not mean that occasional marijuana use renders people incapable of academic or professional success, any more than an occasional drink does. The staunchest opponents of marijuana invest the drug with the power to permanently transform people, ruining their potential and turning them against society. Before we accept that notion, it's worth reflecting on the fact that people once said much the same thing about cigarettes.

Historical perspective is especially important in light of recent trends. According to government-sponsored surveys, teenage marijuana use has been rising since 1992, following a 13-year decline. In the National Household Survey, the share of 12-to-17-year-olds reporting past-month use of marijuana rose from 4 percent in 1992 to 6 percent in 1994. In the Monitoring the Future Survey, the share of high school seniors who said they had used marijuana in the previous year rose from 21.9 percent in 1992 to 34.7 percent in 1995. These figures are still well below the peak levels seen in 1979 (16.8 percent and 50.8 percent, respectively), but the increases have aroused concern among parents and educators.

Citing the survey data, drug warriors such as Sen. Orrin Hatch (R-Utah) have criticized the Clinton administration for not doing enough to suppress drug use and have called for greater emphasis on interdiction and enforcement. But the government is already arresting more people for marijuana possession than ever before, suggesting that another crackdown may not be effective. Furthermore, alcohol and tobacco use are also rising among teenagers, something that President Clinton's lack of enthusiasm for the war on drugs can hardly explain. Given the emotional resonance of pot-smoking kids, however, there is a real danger that Clinton or a Republican successor will take Hatch's advice, pushing the pendulum of drug policy back toward the hysteria of the late 1980s. In this context, the parallels between current fears about marijuana and earlier fears about tobacco are instructive. They do not demonstrate that worries about pot are entirely illusory, but they suggest that we should be wary of overreaction.

Although tobacco had been widely used by Americans since colonial times, cigarettes did not catch on until after production was mechanized in the 1880s. Per capita consumption of cigarettes rose nearly a hundredfold between 1870 and 1890, from less than one to more than 35. In 1900 chewing tobacco, cigars, and pipes were still more popular, but by 1910 cigarettes had become the leading tobacco product in the United States. Per capita consumption skyrocketed from 85 that year to nearly 1,000 in 1930.

The rise of the cigarette caused alarm not only among die-hard opponents of tobacco but also among pipe and cigar smokers (such as Edison), who perceived the new product as qualitatively different. Critics believed (rightly) that cigarettes were more dangerous to health because the smoke was typically inhaled. They also worried that boys and women would be attracted by the product's milder smoke and low price. "The cigarette is designed for boys and women," *The New York Times* declared in 1884. "The decadence of Spain began when the Spaniards adopted cigarettes, and if this pernicious practice obtains among adult Americans the ruin of the Republic is close at hand."

At first the anti-cigarette campaign, which had close ties to the temperance movement, focused on restricting children's access. By 1890, 26 states had passed laws forbidding cigarette sales to minors, but many children continued to smoke. Led by Lucy Page Gaston, a former teacher from Illinois whose career as a social reformer began in the Women's Christian Temperance Union, the anti-cigarette crusaders next insisted that com-

plete prohibition was necessary to protect the youth of America. Between 1893 and 1921, 14 states and one territory (Oklahoma) enacted laws banning the sale of cigarettes, and in some cases possession as well. Such laws were supported by the cigar industry, which saw its business slipping away to a new competitor.

Upholding Tennessee's ban in 1898, the state Supreme Court declared that cigarettes "are wholly noxious and deleterious to health. Their use is always harmful; never beneficial. They possess no virtue, but are inherently bad, bad only. They find no true commendation for merit or usefulness in any sphere. On the contrary, they are widely condemned as pernicious altogether. Beyond any question, their every tendency is toward the impairment of physical health and mental vigor."

In the 1908 textbook *The Human Body and Health*, biologist Alvin Davison agreed that tobacco "prevents the brain cells from developing to their full extent and results in a slow and dull mind." He added, "At Harvard University during fifty years no habitual user of tobacco ever graduated at the head of his class."

In contrast to contemporary anti-smoking activists, who talk almost exclusively about the habit's effect on the body, turn-of-the-century critics were just as concerned about its impact on the mind. In the 1904 edition of *Our Bodies and How We Live*, an elementary school textbook, Dr. Albert F. Blaisdell warned: "The cells of the brain may become poisoned from tobacco. The ideas may lack clearness of outline. The will power may be weakened, and it may be an effort to do the routine duties of life....The memory may also be impaired."

Blaisdell also reported that "the honors of the great schools, academies, and colleges are very largely taken by the abstainers from tobacco....The reason for this is plain. The mind of the habitual user of tobacco is apt to lose its capacity for study or successful effort. This is especially true of boys and young men. The growth and development of the brain having been once retarded, the youthful user of tobacco has established a permanent drawback which may hamper him all his life. The keenness of his mental perception may be dulled and his ability to seize and hold an abstract thought may be impaired."

In the 1908 textbook *The Human Body and Health*, biologist Alvin Davison agreed that tobacco "prevents the brain cells from developing to their full extent and results in a slow and dull mind." He added, "At Harvard University during fifty years no habitual user of tobacco ever graduated at the head of his class."

The dull, listless underachievers described by Blaisdell, Davison, and other tobacco opponents resemble contemporary portrayals of marijuana users. In 1989 William Bennett, then director of the Office of National Drug Control Policy, explained how smoking pot affects young people: "It means they don't study. It causes what is called 'amotivational syndrome,' where they are just not motivated to get up and go to work."

In recent years the Partnership for a Drug-Free America, which is supported partly by donations from tobacco companies, has helped reinforce this stereotype. One of the Partnership's television spots shows two young men smoking marijuana, one watching TV, the other ridiculing warnings about the dangers of pot: "We've been smoking for 15 years, and nothing has ever happened to me." Then we hear the voice of his mother, asking him if he's looked for a job today. "Marijuana can make nothing happen to you, too," the announcer says.

Another Partnership commercial shows a stoned teenager turning down invitations from friends to play baseball, go skateboarding, or listen to music. "You always thought marijuana would take you places," the announcer says. "So how come you're going nowhere?" The most notorious anti-pot ad from the Partnership purported to contrast a normal EEG reading with the EEG reading of a marijuana smoker. It was later revealed that the second display actually showed the brain waves of someone asleep or in a coma. Another spot, "No Brainer," compared the effects of smoking marijuana to the effects of being repeatedly hit in the head by a professional boxer.

The tricks of anti-pot propaganda are usually more subtle, however. A common approach is to cite the immediate effects of smoking marijuana without noting that they disappear when the drug wears off. In a joint statement that accompanied the release of a 1995 report called *Legalization: Panacea or Pandora's Box* (you can guess which side they came down on), Bennett and Joseph Califano, the former Health, Education, and Welfare secretary who heads the Center on Addiction and Substance Abuse, said that "marijuana use...savages short-term memory, sharply curtails ability to concentrate and diminishes motor functions."

A pamphlet from DARE (Drug Abuse Resistance Education) declares, "Young people who smoke marijuana heavily over long periods of time can become dull, slow-moving, and inattentive. These 'burned-out' users are sometimes so unaware of their surroundings that they do not respond when friends speak to them, and they do not realize they have a problem." In the 1985 book *Marijuana Alert*, Peggy Mann suggested that diminished mental capacity is a persistent trait of pot smokers, intoxicated or not.

Promoters of this idea will be photocopying a study that appeared in the February 21 *Journal of the American Medical Association*. The researchers found that, after abstaining for at least 19 hours, heavy pot smokers (who used marijuana daily or almost daily) performed slightly worse on tests of learning and attentiveness than occasional pot smokers did. (The two groups scored about the same on basic memory tests.) Since the heavy users were more likely to have smoked marijuana recently, the results may indicate a "hangover" effect.

The lead researcher, Harvard psychiatrist Harrison G. Pope Jr., told *Harvard Magazine* that, among the light smokers, "total lifetime consumption did *not* predict results on the cognitive tests....My bet is that there really is a residual effect caused by drug residue." Another possibility is that people who are inclined to smoke pot heavily are, on average, somewhat less attentive

than other people to begin with. A third possibility is that the heavy smokers were used to functioning under the influences of marijuana and were distracted by its absence. Although this study does not demonstrate permanent impairment (or negative effects from occasional use), anti-pot propagandists will probably use it to keep alive the notion that marijuana causes brain damage.

Employers are not eager to hire dim-witted layabouts, whatever they're smoking. "The time is already at hand when smokers will be barred out of positions which demand quick thought and action," wrote Charles B. Towns, operator of a New York drug and alcohol hospital, in 1912. Thomas Edison declared, "I employ no person who smokes cigarettes." With Edison and Henry Ford leading the way, many prominent businessmen adopted the same policy during the first two decades of the century. Hundreds of large companies, including Montgomery Ward and Sears Roebuck, refused to hire smokers.

Similarly, in the 1980s and '90s employers have become increasingly concerned about the impact of marijuana and other illegal drugs on productivity. Many companies now require job applicants to undergo urine tests, a policy encouraged by hyperbolic claims about the costs of drug use. "Last year alone," asserted a series of Partnership for a Drug-Free America ads in 1991, "America's businesses lost more than $60 billion to drugs. So this year, most of the Fortune 500 will be administering drug tests." The $60 billion figure, which was also cited by President George Bush and widely reported in the news media, included an estimate of "reduced productivity due to daily marijuana use." The estimate came from a 1982 study that found adults who had smoked marijuana for at least 20 out of 30 days (at any point in their lives) had lower household incomes, on average, than adults who hadn't. The researchers simply assumed that the difference was due to the influence of marijuana.

In addition to their alleged effects on motivation, intellectual performance, and productivity, both tobacco and marijuana have been tied to crime. "Recent careful investigations by many persons," Davison reported in his 1908 book, *The Human Body and Health*, "show that cigarette smoking not only clouds the intellect, but tends to make criminals of boys. Dr. Hutchison, of the Kansas State Reformatory, says: 'Using cigarettes is the cause of the downfall of more of the inmates of this institution than all other vicious habits combined.' Of 4117 boys received into the Illinois State Reformatory, 4000 were in the habit of using tobacco, and over 3000 were cigarette smokers." In 1904 Charles B. Hubbell recalled that during his service as president of New York City's Board of Education, "it was found that nearly all of the incorrigible truants were cigaret fiends." He added that "the Police Magistrates of this and other cities have stated again and again that the majority of juvenile delinquents appearing before them are cigaret fiends whose moral nature has been warped or destroyed through the instrumentality of this vice."

While most of the critics who blamed cigarettes for crime implied that the effect was pharmacological, Henry Ford had a somewhat more sophisticated theory. "If you will study the history of almost any criminal you will find that he is an inveterate cigarette smoker," he said. "Boys, through cigarettes, train with bad company. They go with other smokers to the pool rooms and saloons. The cigarette drags them down."

Although drug warriors nowadays rarely claim that marijuana causes crime, that charge played an important role in building support for state and federal prohibition in the 1920s and '30s. A 1938 book, *Marijuana, America's New Drug Problem*, quoted an account by New Orleans Public Safety Commissioner Frank Gomila of a "crime wave" in the late '20s: "Youngsters known to be 'muggle-heads' fortified themselves with the narcotic and proceeded to shoot down police, bank clerks and casual bystanders. Mr. Eugene Stanley, at that time District Attorney, declared that many of the crimes in New Orleans and the south were thus committed by criminals who relied on the drug to give them false courage and freedom from restraint. Dr. George Roeling, Coroner, reported that of 450 prisoners investigated, 125 were confirmed users of marihuana. Mr. W. B. Graham, State Narcotic Officer, declared in 1936 that 60 percent of the crimes committed in New Orleans were by marihuana users."

Both tobacco and marijuana have been tied to crime. In 1904 Charles B. Hubbell, former president of New York City's Board of Education, said "Police Magistrates ...have stated...that the majority of juvenile delinquents...are cigaret fiends whose moral nature has been warped or destroyed through...this vice."

Harry J. Anslinger, head of the Federal Bureau of Narcotics from 1932 to 1970, promoted the notion that marijuana causes violence to generate support for a national ban. During the '30s lurid newspaper and magazine stories about marijuana murders—in one case, a Florida youth was said to have hacked his family to death with an ax while under the influence—helped create a climate of alarm.

Tobacco and marijuana have also been charged with subtler effects on behavior. "The action of any narcotic is to break down the sense of moral responsibility," wrote Towns, the drug treatment entrepreneur, in 1912. "If a father finds that his boy is fibbing to him, is difficult to manage, or does not wish to work, he will generally find that the boy is smoking cigarettes....The action of a narcotic produces a peculiar cunning and resource in concealment." Noting the rudeness of smokers who light up despite the complaints of bystanders, Towns concluded that "callous indifference to the rights of others" was another effect of the drug. In *Our Bodies and How We Live*, Blaisdell agreed that "the effect of tobacco on the moral nature often shows itself in a selfish disregard for the rights of others."

It seems that pot, too, fosters dishonesty and rudeness. "Among the psychological effects of heavy pot use cited by teachers and parents," *The New York Times Magazine* reported in 1980, "are a loss of interest in schoolwork, a tendency to lie without feelings of guilt ('She stared me straight in the face,' one

mother said of her junior-high-school daughter, 'tears running down her cheeks, swearing she was telling the truth about something, and I knew she was lying') and a change in attitude toward the family. 'I realized,' said a woman of her 12-year-old, 'that right under our noses our happy, lovely little girl had turned into a sullen, alienated, unreasonable creature.' " As these accounts suggest, the symptoms of marijuana use, like the symptoms of tobacco use, are often hard to distinguish from the symptoms of adolescence.

A 1990 booklet produced by the U.S. Department of Education, *Growing Up Drug Free: A Parent's Guide to Prevention*, offered a list of warning signs: "Does your child seem withdrawn, depressed, tired, and careless about personal grooming? Has your child become hostile and uncooperative? Have your child's relationships with other family members deteriorated? Has your child dropped his old friends? Is your child no longer doing well in school—grades slipping, attendance irregular? Has your child lost interest in hobbies, sports, and other favorite activities? Have your child's eating or sleeping patterns changed? Positive answers to any of these questions can indicate alcohol or other drug use." On the other hand, the booklet conceded, "it is sometimes hard to know the difference between normal teenage behavior and behavior caused by drugs."

Just keep the kids away from tobacco or marijuana (or alcohol or LSD), we are implicitly told, and they will turn out OK. As symbols of all the things that might go wrong on the path from birth to maturity, drugs offer what every adult confronted by a troublesome teenager longs for: the illusion of control.

Tobacco and marijuana have been condemned not only because of their inherent dangers but because they supposedly lead to the use of other drugs. The psychiatric pioneer Benjamin Rush offered an early version of the "gateway" or "stepping-stone" theory in 1798. Rush, who had already described the inexorable slide into habitual drunkenness among those who developed a taste for liquor, said chewing or smoking tobacco contributed to alcoholism by creating a peculiar kind of thirst: "This thirst cannot be allayed by water, for no sedative or even insipid liquor will be relished after the mouth and throat have been exposed to the stimulus of the smoke, or juice of Tobacco. A desire of course is excited for strong drinks, and these when taken between meals soon lead to intemperance and drunkenness." In 1912 Towns took the notion a step further, saying tobacco leads to alcohol, and alcohol leads to morphine.

The gateway theory is also the last resort of drug warriors who are frustrated by the lack of evidence that marijuana is a menace. In the 1984 book *Getting Tough on Gateway Drugs*, Robert DuPont estimated that "up to 50 percent of regular users of marijuana also use heroin." In its 1995 paper on drug legalization, Califano's Center on Addiction and Substance Abuse reported that "12 to 17 year olds who smoke marijuana are 85 times more likely to use cocaine than those who do not."

Formulations of this kind obscure two crucial points: First, most marijuana users never even try another illegal drug, let alone use it regularly. Second, it is not safe to conclude from the fact that marijuana users are *more likely* to use heroin or cocaine that marijuana use *results in* heroin or cocaine use. (It is probably also true that adults who wear jeans more than three days a week and people who ride motorcycles without a helmet are more likely to try heroin or cocaine.) In this case as in so many others, anti-drug polemicists tend to confuse correlation with causation.

Given the hazards thought to be associated with tobacco and marijuana use, the safest course would seem to be early intervention aimed at preventing youthful experimentation. Accordingly, opponents of both drugs have formulated abstinence pledges, a device borrowed from the temperance movement.

George Trask, a Massachusetts minister who founded the American Anti-Tobacco Society in 1850, visited schools around the country and urged young people to take the Band of Hope pledge: "I hereby solemnly promise to abstain from the use of all Intoxicating Liquors as a beverage; I also promise to abstain from the use of Tobacco in all forms, and all Profane Language." In the 1890s Lucy Page Gaston adopted a similar strategy, leading boys and girls in the Clean Life Pledge: "I hereby pledge myself with the help of God to abstain from all intoxicating liquors as a beverage and from the use of tobacco in any form."

In the 1980s First Lady Nancy Reagan, who adopted drug education as her pet cause, famously urged children to "Just Say No." Kids who joined the clubs sponsored by Just Say No International had to sign this statement: "I pledge to lead a drug-free life. I want to be healthy and happy. I will say no to harmful drugs. I will help my friends say no. I pledge to stand up for what I know is right."

These pledges may seem naïve and simplistic, but they reflect a perfectly understandable desire to protect children from danger and make sure they grow up right. Current fears about marijuana and other illegal drugs, like turn-of-the-century fears about cigarettes, express the sort of worries that reappear in every generation. Parents naturally want their children to be smart, to do well in school, to respect authority, and to become productive, responsible adults. The dull, lazy, rebellious, and possibly criminal teenager—the cigarette fiend or pothead—is every parent's nightmare. Adults who have no children of their own worry that other people's kids will become tomorrow's parasites or predators, bringing decline and disorder.

Despite all the alarm that drug scares seem to generate, projecting these fears onto physical objects can be reassuring: Just keep the kids away from tobacco or marijuana (or alcohol or LSD), we are implicitly told, and they will turn out OK. As symbols of all the things that might go wrong on the path from birth to maturity, drugs offer what every adult confronted by a troublesome teenager longs for: the illusion of control. R

Senior Editor Jacob Sullum (jsullum@aol.com) is writing a book about the anti-smoking movement for The Free Press.

BIRTH OF AN ENTITLEMENT

LEARNING FROM THE ORIGINS OF SOCIAL SECURITY

BY CAROLYN WEAVER

When a Social Security advisory council appointed by Health and Human Services Secretary Donna Shalala decides to issue a final report with three reform options, one of which would privatize half the retirement program, and when a Republican presidential candidate not only discusses Social Security privatization but also makes it a key element of his campaign, you know that business is definitely not as usual. In a remarkable turn of events, proposals that once were ignored or denounced as efforts to "smash and destroy" Social Security are being explored as possibly the only real means of saving Social Security. The ongoing support of middle-aged and younger people is clearly threatened by the woefully poor rates of return the program now offers. Numerous proposals circulating on Capitol Hill would move toward a system of true saving, where a portion of a worker's taxes would go directly into a personal retirement account that the worker owns, invests, and earns interest on.

As the idea of privatizing a portion of Social Security gains currency, a debate with the old guard is intensifying over what constitutes "radical" reform. This debate has a certain back-to-the-future quality to it. Far from being universally embraced when first considered, Social Security was bitterly contested in the 1930s and was, at the time, the radical alternative. With real reform now in the wind, it is worth remembering just how close this nation came to maintaining a basically private system of retirement pensions.

FDR's compulsory old-age pension program was nearly stricken from his grander "economic security bill" in the House Ways and Means Committee and again on the House floor, where

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FAR FROM BEING UNIVERSALLY EMBRACED WHEN FIRST CONSIDERED, SOCIAL SECURITY WAS BITTERLY CONTESTED IN THE 1930S AND WAS, AT THE TIME, THE RADICAL ALTERNATIVE. IT IS WORTH REMEMBERING HOW CLOSE THIS NATION CAME TO MAINTAINING A BASICALLY PRIVATE SYSTEM OF RETIREMENT PENSIONS.

an amendment to strike the program mustered a third of the votes cast. After this rocky start, the legislation moved to the Senate where an amendment was offered to permit companies to contract out of the public program if they could provide comparable pensions to their employees. Leading to more controversy in the Finance Committee and on the Senate floor than did any other, this amendment was killed in committee by a tie vote, then went on to be approved in the Senate by a wide margin and to stalemate House and Senate conferees.

No doubt the idea that Social Security lacked broad bipartisan support is at odds with many people's understanding of the birth of this mighty program. It is true that the Social Security Act moved through Congress quickly. Introduced on January 17 and signed into law on August 14, 1935, this landmark expansion of the role of the federal government wended its way through Congress and was adopted largely intact in just seven months.

However, what we know as Social Security—the old-age pension program—was just a piece of the Social Security Act that ushered in the modern welfare state. Many now-familiar programs got their start, or at least a federal boost, then too. Federal grants for aid to dependent children (now the AFDC program), aid to the elderly and to the blind (later merged with aid to the disabled into a single program of Supplemental Security Income), and maternal and child health services, to name a few, plus a tax-offset arrangement for unemployment compensation, were all contained in the original Social Security Act.

To appreciate the widespread and bipartisan resistance to Social Security, it is important to recognize the distinction that was made at the time between the problem of *preventing* poverty in old age and the problem of *alleviating* poverty among the elderly poor—a distinction that some find difficult to grasp today. Prevention was seen as a problem of retirement-income planning, of personal saving and continued employment, that could and should be addressed through voluntary arrangements—by individuals and families working together with employers, trade unions, fraternal organizations, and financial institutions. Alleviation ultimately came to be seen as a problem demanding at least some government intervention at the state or local level.

In the first three decades of this century, many states debated means-tested public assistance for the elderly poor and several states passed laws enabling counties to collect and dispense funds for this purpose. No one, however, introduced legislation to get the federal government involved in poverty relief for the elderly poor—let alone involved in the direct provision of retirement pensions for working Americans.

Advocates of social insurance worked hard to blur the distinction between prevention and alleviation, and between insurance and welfare, in the redistributive programs they promoted. They met with a decided lack of success. In historian Arthur Schlesinger's words, "While the friends of social security were arguing out the details of the program, other Americans were regarding the whole idea with consternation, if not with horror." Samuel Gompers, leader of the American Federation of Labor for nearly half a century, put his feelings succinctly in 1917. "Compulsory social insurance," he said, "is in its essence undemocratic."

The public was not naïve about the political difficulties of controlling public income-transfer programs. The federal government had long provided pensions and other special programs for veterans, and the generosity and cost of these programs had been a subject of continuous controversy. In 1920, the federal government set up a retirement program for its own employees, spending on which quickly outstripped original projections. And, of course, two or three decades' worth of experience with state and local pension funds for teachers, firemen, and other public employee groups revealed the inevitable pressures to increase benefits, defer tax costs, and shift burdens to future generations. Overexpansion, severe underfunding, and even cutbacks in benefits were not unheard of. In some ways, the political risks attached to long-term benefit promises by government were better understood in the 1920s than they have been since—or at least until very recently.

With the onset of the Great Depression in 1929 and the election of Franklin Roosevelt in 1932, the political landscape began to shift. Old-age assistance programs cropped up in many states, but were strained severely by burgeoning numbers of poor people and shrinking local tax bases. Pressures mounted—especially in the larger, more industrialized states—for federal assistance and a redistribution of tax costs. In 1934, a bill to provide federal matching funds to states operating old-age assistance programs received unanimous approval in both the House Labor Committee and the Senate Finance Committee, revealing broad, bipartisan support for public assistance for the elderly poor.

In a masterful political ploy, however, FDR refused to support the bill and it died at the end of the session. FDR's strategy, clear to all observers at the time, was to take the substantial momentum behind federal assistance for the poor—especially the elderly poor—and leverage it into support for his Social Security Act, a comprehensive legislative program whose heart was the compulsory, government-administered pension program.

Across party lines, members of Congress recognized and complained that they were being put in the position of voting for everything or being labeled as opposed to "social security." As Abraham Epstein, an early proponent of social insurance, described the dilemma for members of Congress, "Their choice was 'all-or-none,' [so] they voted for all and left it to the Supreme Court to separate the good from the bad." (Interestingly, the terms *pension*, *annuity*, and *insurance* appeared nowhere in the original Social Security Act because of the concern that a compulsory

pension program would be found unconstitutional.)

FDR was well aware of the battle to be waged over compulsory old-age pensions. When his Committee on Economic Security submitted its comprehensive legislative package to Congress in 1935, the Great Depression had been raging for six years. The Depression wreaked havoc on everyone—nearly 20 million Americans were on direct relief from the government—but it hit the aged especially hard. Yet not a single bill had been introduced into either chamber of Congress to establish a compulsory old-age pension program. FDR's social-insurance proposal was the first of its kind, even though social insurance had emerged in Europe nearly a half-century earlier, had spread widely among industrial nations, and had been a topic of debate in the United States for more than two decades.

The battle for Social Security began in earnest in the Senate when Sen. Bennett Clark (D-Mo.) offered an amendment to allow companies with private pensions to opt out of the public program. Under the amendment, any company could contract out of the public program if it had a pension plan that offered benefits at least as generous as the federal program, provided that the plan was available to all employees, that premiums were deposited with an insurance company or approved trustee, that employee contributions plus interest were refunded to the government in the event an employee's job was terminated, and that the company was willing to subject its books to federal scrutiny. Employees of companies that contracted out would have their choice of the public or private plan. (Those familiar with modern social security systems will recognize the concept of company-wide contracting out from systems in the United Kingdom and in Japan.)

While the Clark amendment conceded a great deal to Social Security proponents—it accepted, for instance, the premise of compulsory participation and left companies exposed to substantial federal regulation—it nevertheless would have given workers some degree of choice and given employers the right to compete with the government in providing retirement pensions. Individual choice and competition in supply would help ensure maximum value for workers' tax "contributions," protect workers' non-contractual rights to future benefits, and provide a much-needed check on the use of Social Security for the purposes of income redistribution.

FPG INTERNATIONAL

FDR: HE REFUSED SUPPORT FOR A MODEST AID PROGRAM FOR THE ELDERLY POOR TO PUSH THROUGH HIS MONOLITHIC SOCIAL SECURITY ACT.

According to University of Chicago economist Paul Douglas, a leading figure in the social-insurance movement and later a U.S. senator, the fight over the Clark amendment was "the most vigorous" of the debates surrounding the economic security bill. And little wonder: In less than 10 sentences, the amendment cut through the "insurance" rhetoric and exposed the redistributive underpinnings of Social Security.

Clark and his supporters argued that the amendment would preserve competition in the supply of pensions and allow freedom of choice for workers, while ensuring the nation's elderly a level of protection at least as generous as the federal program. Why stifle the development of private pensions, they reasoned, that potentially could provide higher benefits for retirees while building good will with workers? Company pension plans were spreading rapidly among large companies in the 1920s, having first emerged in the 1880s, and coverage was destined to expand as the tax and business environment improved.

It was in 1926, for example, that the basic features of the tax code pertaining to pensions were established, effectively eliminating the double taxation that penalized ordinary savings. (The favorable tax treatment of employer-sponsored pensions did not extend to individual retirement savings until much later—individual retirement accounts and Keogh plans are creatures of the 1960s and 1970s.)

But critics recognized that the Clark amendment, if passed, would put the federal government in the position of regulating and competing with private pension plans rather than monopolizing its own. That competition would have profound implications for the ability to use Social Security for purposes of income redistribution. As Sen. Robert LaFollette (Prog-Wisc.) put it, "If we shall adopt this amendment, the government...would be inviting and encouraging competition with its own plan which ultimately would undermine and destroy it."

The critics' key argument was that contracting out would leave the public program at a great disadvantage. The feds' benefit formula, weighted in favor of those near retirement (and with lower earnings), would attract people who were relatively more costly to "insure," thus making the government program more expensive, if not prohibitively so. Critics reasoned that firms with relatively young workers would establish or maintain pension plans, choosing to contract out of the public plan (at a savings). Firms with older workers would discontinue or fail to establish plans, allowing their workers to gain retirement protection through the government (also at a savings). Said Sen. Robert Wagner (D-N.Y.), one of the bill's sponsors, "I am firmly convinced that if this amendment were adopted we

COMPULSORY GOVERNMENT-CONTROLLED RETIREMENT SAVINGS IS HARD TO DEFEND IN A WORLD WITH MODERN FINANCIAL MARKETS, A MATURE PRIVATE PENSION SYSTEM, AND EXTENSIVE EXPERIENCE WITH IRAs, 401(K) PLANS, AND OTHER SELF-DIRECTED INVESTMENT PLANS.

should find the government holding the bag for older men... while industries would take care of only the younger men *who earned every bit of annuity they received*" (italics added).

Undoubtedly the critics were right. In a competitive setting and in the absence of coercion, workers would be compensated—whether in the form of wages, pensions, or some other form of benefit or payment—in relation to the value of their output. There would be little room for anything unearned. But, as proponents of the Clark amendment reasoned, if the purpose of the new program was to provide pensions based on earnings and contributions, not to redistribute income, the private sector was perfectly capable of performing this function. Unearned benefits, not competition, were the source of the problem.

FDR and his allies went to some lengths to kill the Clark amendment, including threatening to veto the entire bill—and thus to block all federal assistance for the poor—if the amendment were passed. Such efforts didn't work, at least initially: The Clark amendment was passed by the Senate (where Democrats held a 44-vote margin) by a vote of 51 to 35. Paul Douglas later acknowledged that, "In view of all the safeguards, it seemed to the majority of the Senate and to a goodly section of the public that there was really no legitimate objection against granting such an exemption." The Senate then approved the economic security bill as amended by a vote of 77–6. The House had already approved the legislation—without the Clark amendment—by a vote of 372–33.

When the House and Senate bills reached conference early in July 1935, negotiators spent a couple of weeks resolving all matters of disagreement in the various welfare programs, the unemployment compensation program, and the compulsory old-age pension program, with the exception of one—the Clark amendment. The House strongly opposed the amendment on the grounds that it would ruin the federal program and could, by resulting in different tax treatment of employers who had and had not contracted out, render the federal program unconstitutional. The Senate refused to budge. On July 16, conferees returned their reports to their respective houses, seeking approval on all issues except the Clark Amendment and seeking further instructions. Both houses responded with instructions to adhere to their positions.

Negotiations dragged on for several more weeks until the conferees decided that a further delay of the entire economic security bill—over a single amendment to a single program—could not be justified. They dropped the Clark amendment with the understanding that a special joint legislative committee would be formed to prepare an amendment, for consideration during the next session of Congress, that embodied the essence of the Clark amendment without raising the constitutional complications.

This, of course, was a major victory for FDR and his allies. The House and Senate accepted the conference report on August 8 and 9, respectively, and the president signed the Social Security Act into law on August 14. The Clark amendment was never reconsidered.

Just five years later, Social Security's income-transfer machinery began churning out checks to elderly people who had paid taxes for at most three years and to people who had paid no taxes at all (elderly spouses and widows, young widows with children, and children of retired or deceased workers). Financed on a quasi-pay-as-you-go basis, the program grew in size and scope in the decades that followed, delivering lifetime annuities to a broader and broader segment of the population at a fraction of the true cost—and piling up larger and larger liabilities to be met by younger generations. Worries about the political risks attached to the government's long-term benefit promises seemed to evaporate.

It was not until the 1970s that reality began to pinch. This is when Social Security first began running gaping long-term deficits and when, as a "mature" pay-as-you-go system, its ability to produce large windfall gains to retirees was fast disappearing. Nothing's been quite the same since.

Today, middle-aged and younger workers, who face the prospect of potentially large wealth losses under the system, naturally seek the right to save privately for retirement, both to reap the gains of investing in higher yielding real capital and to secure their rights to future income. Neither steeped in the traditions of New Deal programs nor beneficiaries of the windfalls those programs delivered in decades past, these workers question the value of Social Security as a retirement savings vehicle in the next century and seek new solutions to the age-old problem of retirement-income security. In this case, the best new solutions lie in some old ideas.

When Congress takes up the issue of Social Security reform, it can aim much higher than proponents of the Clark amendment were able to in the 1930s. With modern financial markets, a mature private pension system, and extensive experience with IRAs, 401(k) plans, and other self-directed investment plans, there is no reason to be limited by the idea of company-wide contracting out. Giving individual workers the right to fund and control the investment of their own retirement accounts is now a viable alternative that demands consideration—whether on a limited basis, as envisioned in the legislation introduced by Senators Kerrey (D-Neb.) and Simpson (R-Wyo.), or on a large-scale basis, as under the system adopted in Chile over a decade ago. R

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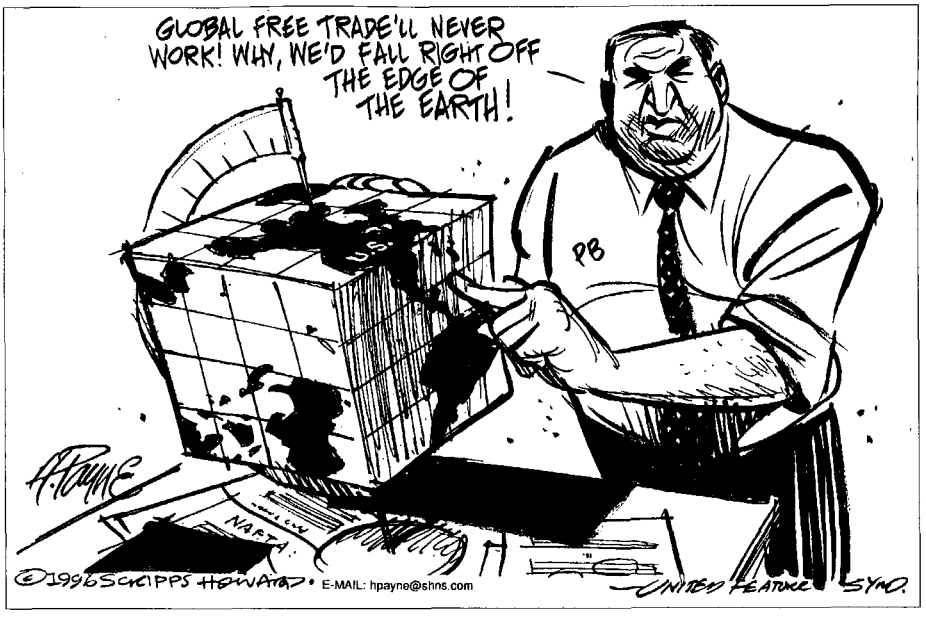
No Trade, No Gain

By John V. C. Nye

Opposing trade means opposing innovation.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HENRY PAYNE

THE NEW CENTURY IS NEARLY AT hand. A great nation finds itself hobbled by debt and saddled with doubts about its future prosperity at home and abroad. Its trade deficit has been growing for some time and is expected to widen. The nation has suffered a number of debilitating recessions in recent decades. Observers believe that the great nation's prosperity is an illusion built on a weak foundation—that the nation is excessively devoted to services and finance and gives insufficient attention to the manufacturing arts. People are convinced that the signs of decay are everywhere, first in the economy, but also in politics and even public morals.

America in 1996? Astute historians may notice that I have been writing about England around 1800, as viewed by a good many writers both at home and abroad. Economic historians have long marveled at how unaware contemporary British observers were that from around 1780 to 1860 they were in the midst of an unprecedented economic transformation that we now call the Industrial Revolution.

No one guessed that technological innovation and market development would make possible a near trebling of per capita income alongside a doubling of the population. Britain's trade would continue to flourish and its economy to prosper, making it the world's greatest commercial power, despite the burdens of the debt and despite the fact that the British continued to run a merchandise trade deficit for virtually every year of the 19th century and right up to World War I.

Like Britain then, much is made of the difficulties facing the United States today. Presidential candidate Pat Buchanan likes to claim that the U.S. standard of living has fallen in the past 20 years and blames much of that on free trade. Worst of all, slow growth is presumed to be inevitable, and even economists have come to speak as if it were impossible for the U.S. economy to grow as fast as it had in the past century.

But our indicators of stagnation and decay may be almost irrelevant to our prospects in the years ahead. Those who advocate protection and managed markets, from Ross Perot to Patrick Buchanan, are aligning themselves not against trade, but against innovation. The dream of managed trade is functionally equivalent to the utopia of scientific planning: Neither can achieve the results their supporters hope for.

The changes the Buchanans of the world attribute to trade are really a consequence of rapid technological change, the same technological change the human race depends on to expand its standard of living. But the best innovations not only create new markets—they succeed largely by destroying old ones, creating the necessary disruptions that Buchanan decries.

CONSIDER THE PERSONAL COMPUTER. THE thousandfold fall in the price of computing power over the past few years and millionfold change in the past few decades have greatly expanded the range and quality of goods and services we can buy. Entertainment, scientific analysis, communications, even ordinary household appliances have been dramatically reshaped by the computer revolution. Yet these improvements have meant that many traditional jobs have had to change or disappear entirely.

Technology's unpredictability leads to great instability. Artists and architects find themselves working with graphics work stations more often than pen and ink. AT&T has become dramatically more innovative to survive, and in doing so has shed jobs that would have been guaranteed in a much earlier era.

Such changes would have occurred even with little foreign trade or competition. The only way to eliminate the pain of economic transition is to banish all innovation. The painful adjustments the United States has been undergoing would still take place even if the economy were

kept closed. Since export-oriented industries employ more people and pay higher wages than the declining industries that would be protected, a policy of raising tariffs would lose more jobs and lower more wages than would be gained. This may be cold comfort to those embittered by losing their jobs. But without growth and innovation, we'd all be losing out on benefits that far outweigh those losses.

Trade is the real information superhighway. Open markets speed up the transfer of information and actually cushion the impact of change. Closed economies delay information about needed change, which guarantees that necessary change will be even more painful. Protectionists often speak of fair trade, but the issue is not what is fair, but what policies will help us to grow and raise people's standard of living in the long run.

ECONOMIC ADAPTABILITY IS SO CRUCIAL to a nation's continued development that most economists advocate free trade even if all our trading partners keep their markets closed. Thus Wilhelm Röpke, the German economist whom Buchanan often cites admiringly, argued vigorously in post–World War II Germany for "the principle of absolute and even, if necessary, one-sided free trade."

Buchanan likes to say that no country, including Britain, developed without protection. Since every country has had trade protection to one degree or another that by no means indicates protection is necessary for development.

Cotton textiles, which became Britain's leading industrial sector, were unprotected; it was the older linen and woollen industries that hid behind tariff walls. Tariffs on wine mainly aided the beer brewers while taxing the working classes. The Corn Laws protected British agriculture just as industry was becoming dominant, as Japan's agricultural barriers destroy the benefits of its industrial success today by lowering that nation's standard of living. Contrary to popular belief, protection actually hampers exports by encouraging domestic firms to produce inefficiently goods for home consumption rather than working to develop industries that can sell abroad.

Like pundits now confused by downsizing and economic disruption, contemporaries of the Industrial Revolution were confused because its economic growth was certainly destabilizing, and this caused great anguish. Because average growth rarely exceeded 2 percent a year, contemporary writers remained oblivious to the revolutionary improvement in general human welfare wrought by those changes. They saw only the misery and suffering of the poor who were now concentrated in the cities. Yet after a century's growth, per capita income had tripled and quality of life improved substantially.

Since export-oriented industries employ more people and pay higher wages than the declining industries that would be protected, a policy of raising tariffs would lose more jobs and lower more wages than would be gained.

Many opposed the changes wrought by new technology and idealized the pre-industrial past. But any attempts to impede those developments would have probably left the people with the more traditional problems of poverty, famine, starvation, and a rigid class system based on ancestry rather than economic achievement.

Protectionists like to note that the United States had the highest tariffs of any industrial nation in the 19th century. But they do not note two things: First, all economic research suggests that the United States developed *despite* and not because of high tariffs. Indeed, until the Civil War, American average tariff levels were similar to those in liberal Britain, and they declined substantially from 1800 until 1860, when tariffs were raised. Second, and more important, America had virtually open markets for labor and capital.

Thus, the high costs of importing foreign manufactured goods were offset by the low costs of importing foreign workers. Large numbers of immigrants came to work from all over the world, putting pressure on the native work force. Restrictions on their entry were rudimentary and hard to enforce. Furthermore, it was relatively simple to invest in the United States, with its advanced capital markets and a lively financial sector that was leniently regulated.

Most important is that given the size of the unexplored frontier and the explosive growth of the American population, merchandise trade was of relatively little importance in the 19th-century United States. Neither exports nor imports were very important for American producers, with the exception of agriculture. Hence tariffs were imposed over the objections of the defeated Southern states, which suffered the most from protectionism. And America was at least as open as most other countries to the changes that characterized the period of late industrialization.

In the end, protection didn't stabilize the economy, and Americans were buffeted by the same technological shocks as Europeans. Nineteenth-century America suffered from monetary crises, recessions, deflation, labor unrest, and the problems of mergers and takeovers as the industrial landscape accommodated to the changing technologies of the railroad, telegraph, and electricity. Throughout it all the nation's economy grew steadily and impressively, eventually making most people better off. America's strength lay in its ability to absorb those inevitable shocks, learn new techniques, and change to meet the needs of the time.

THOUGH INTERNATIONAL TRADE MAY have accounted for only a small part of GNP in the 19th century, it plays a much larger role now. We no longer have an expanding frontier, and population growth and immigration do not play the same roles they once did. Today, the new frontiers are the world markets, from Eu-

rope and Japan to the growing middle classes springing up in Southeast Asia, Latin America, the Middle East, and even Central Europe and Africa.

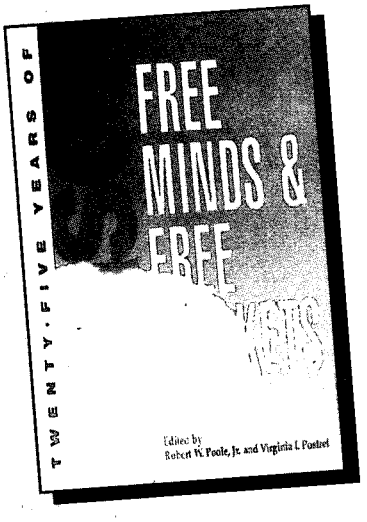
Just as with the contemporaries of the Industrial Revolution, we can't know the future that current changes are creating with certainty. We are going through difficult and exciting times but all told the United States is doing quite well. Periods of large, dramatic technological innovation are also periods of mind-boggling, even gut-wrenching changes. The open society shows the effects of those changes most rapidly and clearly. We must resist the temptation, particularly in an election year, to blame the messenger—free trade—that brings both the bad and the good news.

The United States has adjusted to the changing state of global innovation and trade more successfully than most countries. It is now almost universally acknowledged abroad that for Europe and Japan to prosper they must become more like us. But they have postponed reform and so the will to change is weaker than ever. For example, protection of the German automobile industry from Far Eastern competition has meant slow adjustment to the needs of the world economy. Where Volkswagen was once a household word, it is now almost insignificant in the North American market and has lost thousands of workers while continuing to lose market share. The United States, by confronting the competition earlier, has seen its Big Three companies retrench and retool, and Detroit now shows record profits.

Japanese domestic regulation and agricultural protection have driven home prices so high that the Japanese have a real standard of living half that of Americans. Their system shields an inefficient banking system that may have up to a trillion dollars in bad debts. Germany and Japan may have been lulled by their protective walls into a false sense of security and stability, little suspecting that the day of reckoning will wreak even greater havoc and make the adjustments both more urgent and more politically painful.

The most interesting times feel like the most accursed. But if history is any guide, there is as much reason to hope for still greater prosperity as there has ever been in history. It is especially surprising that Republicans would be seduced by the siren song of protection. Long concerned about the problems of overtaxing and regulating the domestic economy, they do not see that taxing and managing foreign trade suffer from the same difficulties. Both are ultimately debilitating, and in the long run, both are equally futile. ®

John V. C. Nye is co-director of the Institute for the Study of Economic Performance Over Time and associate professor of economics and history at Washington University in St. Louis.



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Dirty Water

By Michael Fumento

Will the United States repeat Peru's chlorine folly?

ENRIQUE GHERSI'S VOICE SHOOK with emotion as he spoke to a gathering of Latin American, British, and U.S. policy makers in January. Ten thousand Latin Americans have died of cholera in the past five years, according to the Pan American Health Organization, and more than a million have been made sick. Ghersi, a Peruvian congressman, blames "U.S. imperialism."

But this imperialism didn't come at the point of a bayonet. It came from EPA pronouncements on the chlorination of drinking water.

Chlorine is the most effective killer of bacteria in water supplies. While other techniques such as ozonation or using ultraviolet light can kill bacteria at the point of contact, chlorine added to water keeps on killing all the way to the faucet. About three-fourths of all U.S. drinking water is chlorinated, while most of the rest is treated with a combination of chlorine and ammonia. "Chlorination and disinfection of the water supplies are the public health success stories of the century," says Carol Henry, director of the International Life Sciences Risk Science Institute.

But the broad class of chemicals known as chlorines has been under an all-out assault by American environmentalists lately, who accuse them of everything from thinning the ozone layer to causing cancer to reducing sperm counts to shrinking alligators' penises. Greenpeace International, using the slogan "Chlorine kills!" (meaning people, not germs), has demanded the elimination of all man-made chlorine compounds. Such a drastic move, estimates the consulting firm Charles River Associates, would cost the U.S. economy $91 billion a year. Other critics, pointing to Peru, say it would cost many American lives.

The Peruvian government took the environmentalists and the EPA seriously. Peruvian bureaucrats bought the rhetoric wholesale and greatly reduced the chlorine pumped into the country's water supply.

This action set the stage for horror when, Pan American Health Organization officials suspect, a Chinese freighter released its cholera-contaminated bilge water into Lima's harbor. Eventually the bacteria made its way into open wells, which hadn't been chlorinated, and to other fresh water supplies in which chlorine levels had fallen too low to kill the germ.

As is usual with epidemics, the rich have fared best. Peru's rich can afford private water supplies and bottled water. But the poor, says Ghersi, "have been sacrificed for the EPA and the environmentalists."

Undaunted, the EPA is now taking action that may well endanger much of the U.S. water supply. Citing hypothetical cancer risks from chlorination, the agency in 1994 proposed a rule that would require water systems to eliminate the process known as pre-disinfection. According to some officials, this unfunded mandate would cost local governments an additional $4 million a year and might force small water systems to abandon chlorination completely.

The proposed water regulation has some health officials absolutely boiling. "Reducing chlorine levels in public water systems poses an immediate and significant threat to public health," says Douglas Kinard of the South Carolina Department of Public Health. "A conscientious health professional with experience in waterborne disease outbreaks should not support a rule which compromises public health."

Or, as Robert Forbes of the Florida Department of Health and Rehabilitative Services put it, "The reduction or elimination of chlorination of drinking water to reduce the risk of...disease, is analogous to reducing or eliminating air travel to protect people on the ground from being hit by falling aircraft parts!"

THE EPA PROPOSAL IS PARTICULARLY DISTURBING given the lack of evidence that chlorine is in fact harmful. In the past two decades, a dozen epidemiological studies have examined whether chlorine might cause cancer because it can result in the formation of chloroform—which itself has been shown to cause tumors in rodent tests—and because it creates other "disinfection compounds." An overview of this research published three years ago speculated that these byproducts might cause 6,500 cases of rectal cancer and 4,200 cases of bladder cancer.

But these studies show very little increased risk, ranging from 10 to 75 percent. (By contrast, smoking increases the risk of lung cancer by 2,000 percent.) Typically such small increases are considered within statistical "noise," meaning there are just too many things that can throw a study off by that much.

Thus, in a response to a study linking breast cancer and abortion, the National Cancer Institute declared, "Relative risks of less than two are considered small and are usually difficult to interpret. Such increases may be due to chance, statistical bias, or effect of confounding factors that are sometimes not evident."

In the case of chlorine studies, the most glaring problem is probably "recall bias." Study participants were interviewed about risk factors years after their exposure. Quick, ask yourself how much water you drank yesterday. Or the day before? Now imagine being asked how much you drank 10 or 15 years ago.

But won't people be just as likely to

overestimate as to underestimate their exposure to chlorinated water? Not if they have already heard from somewhere that there may be an association between chlorinated water and cancer. In that case, the natural tendency is to put two and two together and conclude that the reason you have rectal or bladder cancer is probably because you drank an extraordinary amount of chlorinated water some years earlier. That would make your recollection err on the side of drinking larger amounts of water than you did.

The Peruvian government took the EPA's warnings seriously and reduced chlorine in the water supply. The result: an epidemic of cholera.

Supposedly one of the most damning aspects of the chlorinated water–cancer connection is that to the extent the studies show any correlation at all, it is a "dose-response" correlation, meaning the more chlorinated water people drank the more likely they were to get cancer. But that's exactly what you'd expect if recall bias were a problem. In any event, University of California, Berkeley biologist Bruce Ames has noted that if there is any risk of cancer from chlorinated water at all, it is one-thirtieth that of a serving of peanut butter.

Such small risks look trivial amid the death tolls in Peru and elsewhere. And Enrique Ghersi hopes the United States can learn from his country's mistake. "We're ahead of the U.S.," Ghersi told me sarcastically. "And have returned to the Middle Ages as a result." ®

Michael Fumento is REASON*'s science correspondent, under a grant from the William H. Donner Foundation, and co-author with Michelle Malkin of a monograph on chlorine, published by the Competitive Enterprise Institute in Washington, D.C.*

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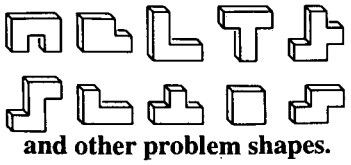

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Orphan Family Values

By Gwen J. Broude

A Home of Another Kind: One Chicago Orphanage and the Tangle of Child Welfare, by Kenneth Cmiel, Chicago: The University of Chicago Press, 249 pages, $24.95

The Home: A Memoir of Growing Up in an Orphanage, by Richard McKenzie, New York: Basic Books, 228 pages, $23.00

ALTHOUGH ORPHANAGES MAY OWE their 15 minutes of recent fame to Newt Gingrich's passing reference on a Sunday morning talk show, asylums as way stations for abandoned or neglected children are not a new idea. The philosopher Jean-Jacques Rousseau deposited all five of his children in a foundling home, and declared that he was doing them a favor. Sources trace orphanages at least as far back as eighth-century Milan, and abandoned children were commonly housed for the long haul in "hospitals" in 12th-century Europe.

In *A Home of Another Kind*, Kenneth Cmiel, a history professor at the University of Iowa, informs us that the first recent appeal for the revival of the orphanage here in America can be traced not to Gingrich but to a 1988 article published in *The Washington Monthly* by Lois Forer, a retired judge of the Court of Common Pleas in Philadelphia. Forer's call to action was a response to what she had been witnessing in her own court with increasing frequency. "Given the flood of horribly abused children who were becoming wards of the state, she argued, and given the well-documented inadequacies of the foster care system, the way to do better was to bring back the orphanage," explains Cmiel.

He notes that in the 1980s, "the number of children without a stable home exploded." Crack cocaine played a significant part in the growth of what are now called the "no parent" children—children who are muddling through with sub-adequate parenting. The rise in the number of children who received out-of-home institutional care rose from 262,000 in 1982 to 442,000 10 years later.

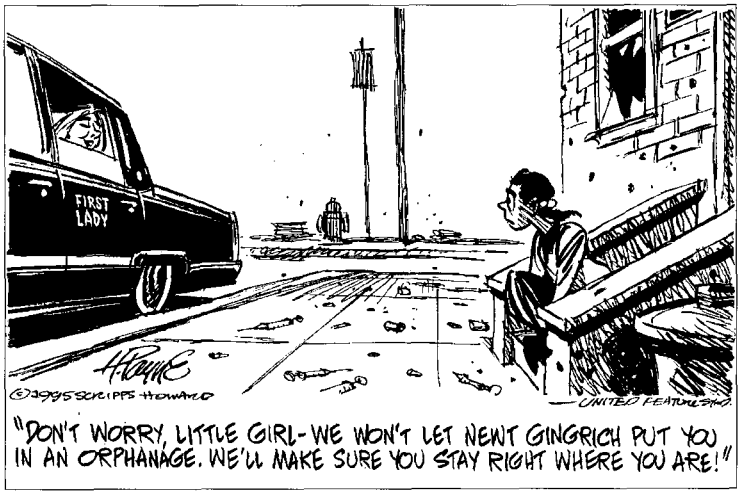
This appalling state of affairs raises the question that was on Gingrich's mind when he proposed that we take another look at orphanages: What should we do with a growing population of children living in families that seem to be utterly unprepared to care for them? Cmiel's book and Richard McKenzie's memoir *The Home* put that question (and the Gingrich-Forer solution) into historical and personal contexts.

A Home of Another Kind tells the story of how the nature and objectives of orphanages in America changed over the last century. Because Cmiel takes the vantage point of a single institution, the Chicago Nursery and Half-Orphan Asylum, his book is at once history and drama. It is also a cautionary tale in which readers allergic to oversight agencies of either the public or private kind will take some perverse pleasure. What began as an independent, efficient haven for children in need of temporary custodial care metamorphosed into a state-supported monitoring agency of the very sort that discredited the American orphanage system.

The Home is economist Richard McKenzie's personal appeal to take another look at the orphanage as a legitimate solution to the problem of functionally homeless children. After his mother committed suicide and his chronically drunk and unemployed father failed to take care of him, McKenzie's maternal aunts placed him in an orphanage. "In the emerging debate over what to do with parentless, neglected, abused, or abandoned children in our midst," he observes, "no one has thought to ask orphans themselves, the children who were there, what they think about their years in the orphanage."

A HOME OF ANOTHER KIND FOLLOWS THE activities of the Chicago Nursery and Half-Orphan Asylum from the mid-1800s to 1984 when the orphanage, now called Chapin Hall, finally closed its doors. Cmiel charts changes in the nature of the Asylum's clientele, its ideas about what kinds of children need help, and its views regarding what kinds of help are most appropriate. The Asylum and similar institutions remade themselves in response to a sustained effort by first bureaucratic and then academic reformers to professionalize welfare services.

In the late 19th century, places like the Asylum were managed by middle-class female volunteers who were in control of the daily decisions and activities of the institutions. They knew the family circumstances of each of the children, they were involved in each individual case, and they trusted their own instincts in setting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policy. Such hands-on engagement, however, was "exactly the zone that welfare professionals tried to empty when they attacked volunteerism in the early decades of the twentieth century." By the end of the 1920s, the Asylum's managers depended on experts with degrees in social work to set the direction of the institution. This professionalization of welfare radically altered and eventually all but eliminated traditional orphanages.

It also subjected children and their families to erratic policy changes dictated by the latest fashionable psychologizing, all of which would soon be discarded in favor of a newer, trendier theory. The picture that emerges from Cmiel's story is one of frequently fluctuating policies and redefinitions of orphanages that twist and turn back on themselves and often do more harm than good.

IN THE 19TH CENTURY, ORPHANAGES tended to be autonomous institutions in the business of providing housing for children whose families were suffering some kind of temporary dislocation. As Cmiel notes, the idea of the orphanage of the 1800s was to give parents with insufficient income to keep a home together some "breathing space to get back on their feet." Surprisingly, perhaps more than half of the children living in the Asylum in the late 1800s had two parents, and most children housed in 19th-century orphanages still had at least one living parent. Such orphanages were not meant to be permanent homes for children.

Indeed, the Asylum was originally nothing more than a day-care center for the children of working mothers. Even after the Asylum had been converted into a residential institution, most youngsters stayed less than six months and 86 percent stayed less than two years. By the early 1900s, things had changed. Using money as a carrot for the orphanages, privately run Progressive clearinghouses like the Community Fund bought increasing influence on the way that welfare was managed in Chicago.

Reformist agencies began to exert leverage on places like the Asylum by centralizing the welfare system. While channeling placements through single agencies reduced burdens on parents, it also meant that they had less personal control over where their children ended up. And, says Cmiel, it meant that children with indifferent parents might be "passed from one agency to another by a 'caring' but bureaucratic system."

Other parents actually found themselves battling with the system for custody of their own children. The effect was to diminish the role of parents as custodians of their own sons and daughters.

By the 1920s and 1930s, the Asylum began to view itself as a substitute home for children, and youngsters began staying at the Asylum for years. Managers, directed by the professionals, were now willing to take legal custody of children whose parents they judged psychologically unfit.

"In the emerging debate over what to do with parentless, neglected, abused, or abandoned children in our midst," observes McKenzie, "no one has thought to ask orphans themselves, the children who were there, what they think about their years in the orphanage."

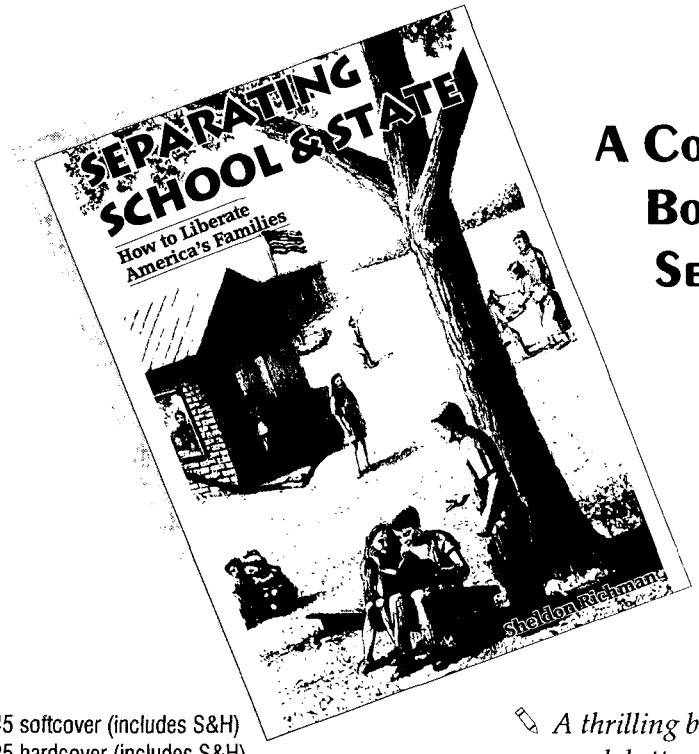
Thus, Cmiel describes the case of a father who brought his three children to the Asylum some months after the death of his wife. The case worker reported that the father "feels now it is too hard for him after working all day to come home and do the washing, ironing, and cooking in the evening." The children languished in the Asylum for 10 years, the daughter begging and pleading to be taken home and the boys turning into delinquents.

As Progressive reformers worked to separate children from "bad" parents, writes Cmiel, they also "argued that [normal] children should be kept at home." At orphanages like the Asylum, renamed Chapin Hall in the 1930s, the idea was no longer to provide the child with a "family" environment. Orphanages became places for "emotionally disturbed" children and the focus was on therapy.

By the 1950s, the children at Chapin Hall had more serious problems, and the emphasis now shifted toward psychiatric—and especially psychoanalytic—care. The staff encouraged the children to view themselves as "sick," although some of the youngsters resisted the label. Consistent with the "professional ethos" of the time, caretakers were no longer willing to be viewed as surrogate parents. By the 1960s, the director reinvented Chapin Hall as a state-of-the-art, full-service, state-supported psychiatric group home for emotionally disturbed children.

In the 1970s, however, the psychiatric residential institution fell from grace, in part because no empirical research had ever shown that residential treatment did any good. The experts now favored deinstitutionalization. Chapin Hall closed its doors in 1984 as a home for children and re-opened as a research center affiliated with the University of Chicago. In a sort of *Twilight Zone* turnabout, Chapin Hall is now a privately and publicly funded monitoring agency of just the sort with which the Asylum and other orphanages had sparred over the years.

DURING THE PROGRESSIVE ERA, RE-counts Cmiel, the "cottage system" was the favorite alternative choice for housing children when foster care was not an option. The idea was to locate children out in the country in bungalows that tried as much as possible to be like conventional homes. This is the kind of institution to which Richard McKenzie, now a business professor at University of California at Irvine, was sent. If Cmiel's book is a cautionary tale about what can happen to child-care systems when they get into the wrong hands, McKenzie's story helps address the question of whether cer-



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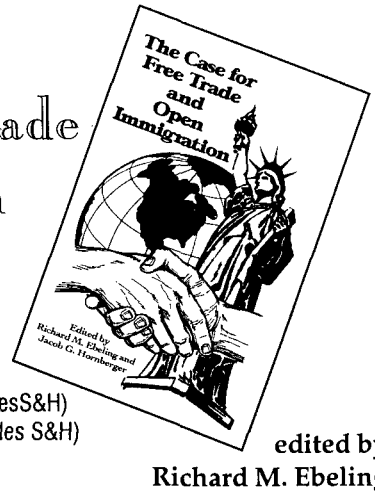

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tain kinds of institutional care are sometimes preferable to living at home when home is intolerable.

Echoing Gingrich's response to his critics, McKenzie wants us to understand that "The Home was a vast improvement on the lives we had known before arriving there." He walks us through his experiences at an orphanage very much like the asylums of the 1950s described by Cmiel, so the books complement each other in satisfying ways. *The Home* gives us a good sense of the kinds of children who found themselves at places like The Home, the kinds of lives they lived there, and the kinds of people they turned out to be.

McKenzie's Home housed some 200 children at any one time, few of whom were true orphans. Many came from homes disrupted by divorce, abuse, and neglect, and many, by the time they got to The Home, were serious troublemakers. McKenzie describes himself as "the child teachers didn't want in their classrooms: bratty, recalcitrant, prone to fights. I had become a child of the streets."

The average age of the children at The Home from the 1930s to the 1950s was 7 or 8 years and the average stay was 10 years. Children lived in individual houses but ate in a common dining room. The Home was a large and functioning farm in North Carolina, and everyone was expected to work when not in school. The annual cost of care per child, including education, came to less than $5,000 in 1995 dollars.

Over and over, McKenzie compares The Home with what life was like for him and the other children back with their families, and it is this comparison that convinces McKenzie—and the reader—that, given the alternative, The Home was not such a bad place. "The Home provided a setting, albeit an institutional one, that allowed us to come in contact with places, things, and people in varying combinations, most of which helped us to redefine, to one degree or another, our direction," writes McKenzie. This was critical for children with family backgrounds like his: "Those of us who grew up [at The Home] have all had to fight at one time or another the conclusion that we weren't worth much. The people who were important to us neglected us, abused us, dumped us."

McKenzie and his brother found themselves being carted off to an institution by two aunts who assured the boys that "we meant so much to them" and explained that they were sending their nephews to The Home because "they had to." For McKenzie, this was a betrayal. "I knew I was being committed, put away, dumped." By contrast, at The Home, "The message everywhere...was: 'You are worth something. You can do things. You need not let choices made by others hold you back.'" That message was reinforced by what McKenzie calls the "great triad —work, sports, and religion—without which The Home would have been a far different, and less influential, place to grow up."

"For most of us," writes McKenzie, "The Home was a place to change course. It offered a set of experiences that were life-focusing. It gave us constraints, direction, purpose, and inspiration." At The Home, says McKenzie, "I found people... I wanted to make proud."

McKenzie's evaluation of orphanages rings true in part because he also tells you what The Home did *not* provide. In numerous vignettes threaded throughout the book, we glimpse children who mainly need to feel that they belong to someone. Thus, McKenzie recollects, "When I graduated, I received the 'most athletic' trophy. I was grateful for any award, mostly in the hope that my aunts would come to see me receive it. They never did."

The most touching of these memories focus on what it is like to grow up without a mother. "If there is one thing we missed at The Home, it was having access to the type of person our mothers could have been," writes McKenzie. "If there is anything I would have loved to have had, it is the type of retreat a mother could provide." Musing about religion, McKenzie admits that he hopes God exists and that he has just "missed the evidence. I hope that if He does exist, I will be found good enough when the balance is taken. I say that because I would like very much to be able to see my mother again, to tell her some things, and to find out whether she has been watching."

Such wistful, moving reflections underscore the real dilemma that there are children in America who are living in subadequate families. What can we do, what shall we do with them and for them? Psychologists provide some clues regarding the environments that tend to produce self-reliant, self-controlled, confident, persistent, moral, ambitious, friendly, cooperative, generally happy children. Children of this sort tend to come from backgrounds in which caretakers are available, affectionate, and sensitive to their signals. Parents of such children tend to set high standards, define limits, but take the opinions of their children into account. They emphasize rationality. And they are consistent.

It is possible to provide this kind of environment for children in settings other than their homes. But apart from the pragmatic problems of how to construct such an environment and how to pay for it, two other dilemmas remain.

First, people living in a free society rightly shrink from the idea of forcibly removing children from their families. So we have a problem regarding what to do with children whose parents do not wish to place them in some kind of alternative setting. Second, it is unclear how to provide a child in an institutional setting with someone who can take the place of a mother. Parents seem to earn the devotion of their children just because they are their parents. Youngsters who spend most of their waking hours in day care nevertheless become more attached to their mothers than to any substitute caretaker. No one really knows why. Abused children similarly retain an attachment and loyalty to their abusive parents that amazes observers. Again, no one knows why.

McKenzie understands all of this. Here is his unsentimental recommendation: "Today's disadvantaged children need a break. They need love and nurturing. When those precious advantages cannot

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The answer to this question doesn't matter unless you are alive to experience it. Freedom is about *choice,* and choice is a luxury only the living enjoy.

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Of course not. Progress in the past century alone has nearly doubled the average lifespan. Researchers in the field of anti-aging medicine now believe that we are just decades from far more dramatic improvements. These will probably include the ability to manipulate and repair tissue on the cellular and even the genetic scale.

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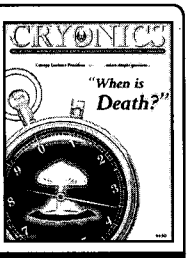

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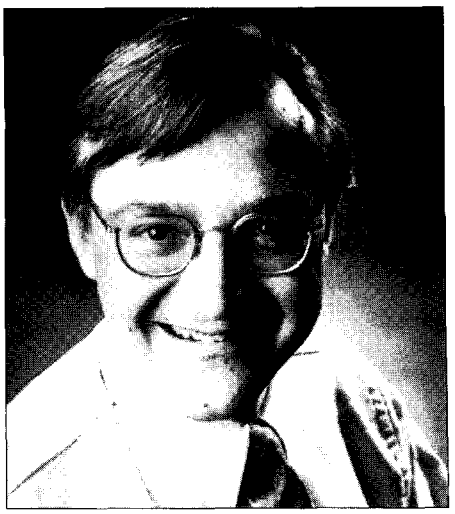
be provided, children need, at a minimum, a safe, stable, structured, and permanent place that provides opportunities for personal growth, a chance to live down and away from the problems of their past. They need the break I was lucky enough to get at The Home....With all the current talk about family values, we must remember that there are families that value very little, least of all their children. Some families are worse for children than even the worst institutions."

This was the point that Gingrich struggled to make in response to the criticism that his orphanage solution was cruel and heartless. If we want to entertain the orphanage as a way of coping with "no parent" children, McKenzie and Cmiel provide helpful illustrations of the kinds of alternative child-rearing settings that have been tried in the past and important lessons about what pitfalls to avoid. ®

Gwen Broude (broude@vassar.edu) teaches developmental psychology and cognitive science at Vassar College.



E. J. Dionne: *The Washington Post*'s pro-Clinton pundit eviscerates free markets and touts Progressive Era-style central planning as the key to national salvation.

Middle Management

By Rick Henderson

They Only *Look* Dead: Why Progressives Will Dominate the Next Political Era, by E. J. Dionne Jr., New York: Simon & Schuster, 313 pages, $24.00

DID REPORTERS, PUNDITS, AND politicians completely misread the meaning of the 1994 elections? Did voters bring the Democrats' 40-year congressional reign to a screeching halt because the public believes government was trying to do too little rather than too much? Are Americans ready to end their flirtation with Newt Gingrich and Bob Dole and instead enter the 21st century embracing government activism?

Washington Post political columnist E.J. Dionne Jr. thinks so, and these contentions form the surprising and "debatable" (as Al Hunt of *The Wall Street Journal* says in a cover blurb) thesis of *They Only* Look *Dead*, Dionne's latest book. Dionne, whose weekly column relentlessly cheerleads for the Clinton administration, believes the anti-government fervor articulated by the 104th Congress is in fact out of touch with the desires of middle-class voters. As soon as the Republican coalition collapses from its own internal contradictions, he says, a new, more muscular form of Progressivism will lead the Democrats to victory for decades to come.

Those who haven't read Dionne's columns or seen him on the weekend talk shows may remember his best-selling *Why Americans Hate Politics*, one of the most talked-about political books of 1991. In it, Dionne argued that the Republicans and Democrats had become obsessed with beating each other up over differences in "ideology" (defined by him as such divisive but symbolic issues as flag burning, Willie Horton, and abortion) and had turned off average voters because they refused to openly discuss government "solutions" to problems. Dionne almost eerily foreshadowed the ways in which populists (Ross Perot, Pat Buchanan, Jerry Brown) and technocrats (Paul Tsongas, Bill Clinton, Perot again) would attract disaffected voters in 1992 by reminding them that the political process was unresponsive and government no longer worked.

Because Dionne was so prescient, he merits serious attention. But since his last book was published, the 1994 congressional election—the most ideological national campaign in 30 years—has intervened. Dionne says that his goal this time is to flesh out the thesis he put forward in *Why Americans Hate Politics*: "Voters are angry at government not just for what it has done, but for what it has *failed* to do," he writes. "The current political upheaval can thus be defined less as a revolt against *big* government than as a rebellion against *bad* government—government that has proven ineffectual in grappling with the political, economic and moral crises that have shaken the country" (emphasis in original).

But this book does not extend the arguments made in *Why Americans Hate Politics*; it repudiates them. Instead of offering a defense of the pragmatic, New Democrat policies Dionne recommended in his earlier book, *They Only* Look *Dead* eviscerates free markets and capitalism and touts Progressive Era–style central planning as the key to national salvation.

THE EARLY PROGRESSIVES WERE WILDLY successful reformers. They busted the trusts, routed the big-city political patronage machines, professionalized government and corporate bureaucracies, and even replaced the narrowly targeted, partisan newspapers of the day with mass-circulation, "objective" dailies.

But Progressives didn't shake up the establishment merely to make trouble: They had a coherent philosophy, which stressed the role of the government in making citizens—especially those in the lower classes—informed, politically active, and virtuous. (Alcohol prohibition was a logical consequence of the temper-

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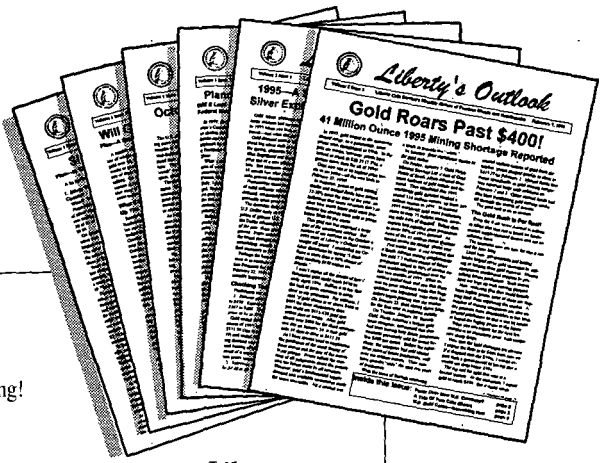

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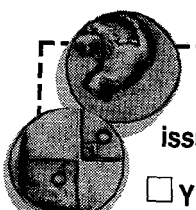

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ance movement the Progressives encouraged.) The Progressives were the first political movement to institutionalize the nanny state, with the conscious strategy of making individuals, above all else, political creatures. As Dionne notes, Progressive icon John Dewey "saw democracy not simply as a form of government but as a 'way of life.'"

Dionne believes the four American "crises" he identifies—economic, political, moral, and international—beg for New Progressive solutions. He begins by singling out a bloc of swing voters he calls the "Anxious Middle," a group that "feels pressed by economic change and worries that the country is experiencing a moral and social breakdown. Its members are angry at government but uneasy over the workings of the economic system. They crave self-reliance—and honor this virtue in others—but fear that both the government and the economy are blocking their own paths to self-sufficiency." Dionne's goal is to show how Progressives can win the allegiance of the Anxious Middle.

"The increasing ease with which money, equipment and whole factories can be moved to anywhere in the world has created all manner of dislocations," says Dionne of the economic crisis. "If employers don't like certain regulations, they can just pick up and move. Competition in the world market forces many of them to do just that."

Dionne's other three crises actually have economic roots. The political crisis, he says, is also caused by globalism. Over the past three decades, "rising trade flows, the opening of the poorer countries to investment and job shifts made easy by changes in transportation and technology have left the social democratic bargain"—the decision of Western democracies to offer citizens subsidized housing, health care, guaranteed vacations, near guarantees of job security—"in tatters....These changes add up to a major decline in the power of democratic governments all over the world, [which combines] with regular voter rebellions against government and taxes to give politicians everywhere less money to spend, depriving them of the universal lubricant of democratic consent."

The moral collapse cultural conservatives harp on too has an economic component. As old-fashioned virtues waned, Dionne says, "the marketplace seemed to reward speed and impatience, sudden fame and rapidly made fortunes. It punished excessive loyalty, whether by the companies to employees or by employees to their employers; whether by investors to the firms they financed or by the managers of those firms to their stockholders.

In 1910, the federal budget consumed less than 5 percent of national income; it now absorbs 22 percent. Without changes in entitlement programs, that figure will surpass 30 percent by 2020. How could neo-Progressives sell new spending programs in this atmosphere?

Employers were under increasing pressure to cut expenses, which encouraged 'downsizing.' Employees sensed less employer loyalty and returned less."

Dionne's international crisis revolves around conflicting visions of America's place in a post–Cold War world. Yet he finds economic roots for this crisis as well. Dionne says the collapse of the alliance between nationalists and internationalists who were also anti-communists, along with uneasiness about the future of middle-class jobs, fuels doubts about the viability of the liberal commercial regime that America dominated from the end of World War II until the early 1990s. "When George McGovern spoke the words 'Come Home America' in 1972, he was mocked as an isolationist. Twenty years later many Americans seemed ready to make the trip."

How can America fight back? Dionne says Bill Clinton offered a Progressive response for each crisis: Universal health care, spending on public works, and job training would make workers feel more secure; campaign reforms would restrain lobbyists and the "reinventing government" initiative would make federal agencies effective and responsive; "ending welfare as we know it" would reassure the middle class that only the "deserving poor" got public assistance; and passing the North American Free Trade Agreement and the General Agreement on Tariffs and Trade would keep America engaged in the global economy—as long as we insisted on provisions in those trade deals that would protect workers and the environment from rapacious multinational corporations.

As we all know, Clinton's record has been mixed, at best. And Dionne confesses that many of the president's failures either resulted from self-inflicted wounds or were exacerbated by Democratic congressional barons who stymied governmental reforms that might strip away their fiefdoms. Yet, Dionne says, Clinton's unshakable faith in Progressive ideas provided the inspiration for his administration's policy agenda.

Then came the Republicans (insert ominous background music), who would roll back the Progressive regulatory state, which Dionne describes as a "marriage between the market economics preached by capitalists and the welfare and worker protections preached by socialists. Most economic decisions remained in private hands, but national governments used the tools at their disposal—notably spending—to take the edge off economic downturns and hasten the return to prosperity."

If, after reading this economic analysis, you perceive the specter of Labor Secretary Robert Reich peering over your shoulder, don't be surprised. Reichian pet phrases dominate the two chapters in which Dionne explains the problems he believes the country faces. Wages are stagnant, companies are relocating offshore, greedy multinationals have broken their implicit "contract" with workers,

people need to be retrained for the information age, etc., etc.

Then again, maybe not. As Michael Cox and Richard Alm pointed out in these pages ("The Good Old Days Are Now," December 1995), if you add fringe benefits to wages, calculate median net worth, or simply measure consumption of housing, automobiles, and such new consumer goods as VCRs and PCs, you'll find that American living standards have continued to rise. "If the average consumer owns more of everything plus the bonus of new products," wrote Cox and Alm, "then it's hard to fathom how a nation could have lost ground over the past 20 years."

Since Dionne is presumably targeting Democrats, it's no surprise that he might try to shock his readers by exaggerating the substance of the GOP's legislative agenda. Dionne acknowledges that the Republicans are trying to slow down the growth of government, if not shrink it altogether. But he sees sinister forces influencing Newt Gingrich. The speaker, he suggests, may sound like a futurist, but his ideological mentors are the Robber Barons of the Gilded Age, not the entrepreneurs of Silicon Valley. Newt's soulmate is Bill McKinley rather than Bill Gates.

Dionne likens Gingrich to Mark Hanna, the political architect of the McKinley victory in 1896. "Just as Hanna and McKinley embraced industrialism ('the Second Wave'), [Gingrich believes] the new Republican Party needs to be the conscious agent of the new, global, information age economy," Dionne writes. "Gingrich, like Mark Hanna, believes he sees the future clearly, and he intends to organize and master it." He adds: "Hanna had considerable sympathy for government intervention and Progressivism."

Dionne is on to something here, but he doesn't realize what it is. He claims that the ultimate goal of Gingrich Republicans "is unabashedly a revolt against the New Deal and Progressive traditions...[that revolt would move] American conservatism toward a rendezvous with nineteenth-century laissez-faire doctrines."

But by making Gingrich a champion of laissez-faire, Dionne has set up a straw

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man. In fact, Gingrich has great sympathy for the muscular Progressivism of Theodore Roosevelt, the man who succeeded McKinley in the White House. Newt's deterministic futurism is not that far out of line with the central planning advocated by the early Progressives. Gingrich's Third Wave rap speaks of "forcing the scale of change necessary to be successful in the twenty-first century," of "accelerating the transition to a high technology, information based economy."

At a more practical level the speaker exposes his resistance to letting messy market forces operate. Even calling a pure flat tax "nonsense," as Gingrich did in February, suggests a sympathy to Progressive-style micromanagement. Both Gingrich and today's Progressives say they embrace the future; rather than letting it evolve on its own, however, they believe they must shape and direct it.

And we've seen little evidence to date suggesting that laissez-faire is the GOP's goal. House Majority Leader Dick Armey —Dionne's real ideological nemesis— may want to replace the federal tax and regulatory codes. And Dionne takes his shots at Armey, saying at one point: "To assert as a flat rule, as Representative Armey does, that 'the market is rational and the government is dumb' is to assume that it is rational to accept problems created by unemployment, low wages, business cycles, pollution and simple human failings; and dumb to use government to try to lessen the human costs associated with them. Mr. Armey might believe that; most Americans do not." For the purposes of this book, however, it does little good to attack Armey, because he isn't calling the shots; the speaker is.

GINGRICH HAS MADE IT CLEAR THAT THE Republicans would "preserve, protect, and defend" Medicare and merely cut funds for public broadcasting by a small percentage. Social Security, the National Endowments for the Arts and Humanities, and the Tennessee Valley Authority are still in the federal budget and will be in 2002. Meanwhile, the GOP continues to fund 14 cabinet departments, with some Republicans suggesting we add a 15th— the Department of Science. At last check, even the most austere budget the Republicans offered would still have the feds spend $12 trillion over the next seven years. Hardly a move toward laissez-faire.

How did those bad Republicans attract so many voters? Dionne explained this succinctly in a *Fox Morning News* interview on February 14: Democrats in the 103rd Congress, he said, offered their own "contract with America"—universal health care, along with welfare, lobbying, and campaign reforms—and when the Democrats couldn't pass their contract, voters opted for the House Republicans' Contract with America, with its balanced-budget amendment, term limits, tax cuts, and regulatory reforms.

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If we take Dionne seriously, he must be the P.T. Barnum of political analysts, believing there is a sucker born every minute who can't distinguish between a package of policies that would dramatically expand the power of the federal government (the Democrats' legislative agenda in the 103rd Congress) and one that would restrain it (the actual Contract with America). Dionne seems to say, "No matter what proposals you offer, if you dress them up nicely enough, those dummies will vote for 'em."

There's plenty of evidence that voters knew exactly why they trended Republican in 1994. In a post-election survey by Republican pollster Frank Luntz, nearly two-thirds of the respondents said they felt the federal government was more of an opponent than an ally in their pursuit of the American Dream. And the antipathy of middle-class voters to government remains. Last fall, reports *The New Republic*, a series of focus groups sponsored by the AFL-CIO (!) found that working-class Americans were somewhat optimistic about the future but "didn't think their wages would rise, nor that politicians, government or unions would come to their aid." They felt they would improve their lives by taking a second job, improving their work skills, or starting their own businesses. And they "thought the biggest threat to their success came from government spending and taxes."

Despite the evidence, Dionne uses his subtitle to assert that "Progressives will dominate the next political era."

"Most in the Anxious Middle," he says, "are wary of the economic change now under way but skeptical of efforts to turn the process back. They are dissatisfied with the responses that have come from government so far, but are worried about their prospects in an economic order in which government withdraws basic social protections."

Dionne may indeed have identified the wishes and longings of the Anxious Middle, even though that's a doubtful assumption. But political realities make a revival of government activism problematic. Dionne conveniently ignores the long-term constraints structural deficits will place on future policy makers. He acts as if such obstacles as the $5 trillion national debt, perpetual $200 billion interest payments, the pending entitlement crisis, the unshakable bipartisan resistance of voters to higher taxes, and the fiscal time bombs of Social Security, Medicaid, and Medicare don't exist.

In 1910, at the peak of the Progressive Era, the federal budget consumed less than 5 percent of national income; it now absorbs 22 percent. Without major changes in entitlement programs, that figure will surpass 30 percent by 2020. How

could neo-Progressives credibly sell new spending programs in this atmosphere? Dionne offers no clue.

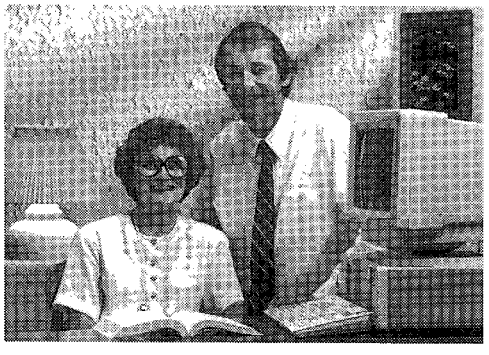
And what would Dionne's new Progressivism offer the Anxious Middle in programs? Not much. He wants the federal government to provide all the things Clinton hasn't been able to get: universal health care; campaign-finance reforms; expanded government child care, job training, student loans, and national-service programs like AmeriCorps. Enact the 1992 Democratic platform, and all will be well. As Michael Barone pointed out in a *Wall Street Journal* review of this book, Dionne has reduced Progressivism to little more than a bundle of petty bribes for voters.

Though Dionne claims to be a pragmatist, he never offers any evidence to demonstrate that his policy proposals would in fact work. Do government job-training schemes increase employment for anyone other than the bureaucrats who administer the programs? Do higher minimum wages help low-skilled workers find better jobs (or any jobs)? Do tough limits on campaign spending give people of modest means greater access to the political process? The record shows they don't. But even though his policy prescriptions don't deliver their intended results, Dionne keeps plugging them.

DIONNE CAN'T MAKE A COMPELLING CASE for a Progressive revival. But supporters of limited government should not take solace. Newt Gingrich's affection for central planning could delay any federal downsizing. And Dionne points out another problem that could derail the capacity of the Republicans (or any other limited-government coalition) to restore constitutional government: the tense and tenuous relationship between cultural conservatives and libertarians.

The "leave us alone" coalition of gun owners, home schoolers, small-business owners, anti-tax advocates, libertarians, and religious conservatives nurtured by conservative strategist Grover Norquist united behind Republican candidates because it had a common enemy: Democrats who gladly used government power to tax and spend and regulate their lives. By February 1995, the Christian Coalition's Ralph Reed was echoing David Frum's seminal 1994 book *Dead Right*, saying that "in an essentially conservative society, traditionalist ends can be advanced through libertarian means."

Yet once the Contract with America passed the House, cultural conservatives stopped leaving us alone. "Family groups" backed the requirement that an anti-violence "V-chip" be placed in every new television set. To the horror of free speech advocates and such high-tech supporters as Reps. Chris Cox (R-Calif.) and Rick White (R-Wash.), the Family Research Council browbeat Republicans into adding criminal penalties to the telecommu-



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nications bill for those who distribute information on the Internet that might be "harmful to children." (That provision has been challenged in federal court.)

And while the Christian Coalition says it favors welfare reform, it doesn't want to end federal micromanagement entirely: The coalition opposes the Senate's welfare bill because it would let states decide whether they will continue to give welfare payments to mothers of illegitimate children. An approach more constitutionally consistent would end the programs at the federal level and cut taxes appropriately. Even some pro-family conservatives are frustrated by the Christian Coalition's demands. As one disgusted activist told me, "I'd rather let governors do something stupid [continue to fund illegitimacy] than keep federal bureaucrats in charge of welfare." Other pro-life activists worry that "family caps" might encourage welfare mothers to have abortions. If cultural conservatives merely insist on pulling the levers of power, the libertarian-leaning members of Norquist's coalition (who make up about 20 percent of the electorate, judging from Times Mirror polling data) could walk away.

By shedding their statist tendencies, contemporary Progressives could contribute much to effectively redirecting policy —from devising plans that devolve power from government agencies to individuals and voluntary institutions to replacing Medicare and Medicaid with programs that don't cripple taxpayers. Placing time limits on regulations, an idea promoted in a bill sponsored by Reps. John Mica (R-Fla.) and Jim Chapman (D-Tex.), is another area that seems ripe for people of "free market Progressive" leanings to investigate. The era of big government may be over, but there's still plenty of work to do. ®

Rick Henderson (DCReason@aol.com) is Washington editor of REASON.

Migration Patterns

By John J. Miller

Migrations and Cultures: A World View, by Thomas Sowell, New York: Basic Books, 512 pages, $27.50

THOMAS SOWELL HAS SPENT MUCH of his professional life advancing a controversial idea: There's more to inequality than discrimination. In his latest book, *Migrations and Cultures: A World View*, Sowell forges ahead, drawing lessons from the experiences of German, Japanese, Italian, Chinese, Jewish, and Indian migrants. "[O]ne of the clearest facts to emerge from these worldwide histories of various racial and ethnic groups is that gross statistical disparities in the 'representation' of groups in different occupations, industries, income levels, and educational institutions have been the rule—not the exception—all across the planet," he writes. "Moreover, many of these disparities have persisted for generations or even centuries."

This is, needless to say, not the dominant view of the American Sociological Association, or of social scientists generally. When they encounter disparities between racial, ethnic, or cultural groups, their first and last impulse is to call a hunt for modern-day oppressors. "[T]he political temptation is to overlook the causal influences of differences in cultural capital which often go far back into history and, instead, to attribute these disparities to current failures of society," writes Sowell. That's a big mistake, since "skills have never been evenly or randomly distributed, whether between ethnic groups, nations, regions, or civilizations."

The problem is cultural relativism—the idea that no culture is better than any other culture, despite their apparent differences. Many academics today are relativists. Sowell is not. He understands that culture is more than the stuff of a university's multicultural festival, where all the food is good and all the games are fun. His view of culture is more complex, and also more functional. "Cultures are the particular ways of accomplishing the things that make life possible," writes Sowell. These include methods of arranging families, transmitting knowledge, and organizing politics, as well as the values that cultures attach to matters like spirituality, intellect, violence, cleanliness, and technology.

Thomas Sowell dispels the myth that all cultures are equal and discrimination always explains disparity.

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OK, so maybe cultures are not equal. But how can we compare them? That's easy, says Sowell: They compete. "Cultures do not exist as simply static 'differences' to be celebrated but compete with one another as better and worse ways of getting things done—better and worse, not from the standpoint of some observer, but from the standpoint of the peoples themselves," writes Sowell.

Successful cultures will spread. Before the advent of mass communication, migrations were the primary means of expanding a culture's influence. When people moved, they took their knowledge with them. "[E]ach group has its own cultural pattern...these patterns do not disappear upon crossing a border or an ocean,"

writes Sowell. This is what accounts for so much of the occupational segregation we see around the world—and it is often better understood as cultural segregation. Sowell's six case studies provide dozens of examples of one cultural group coming to dominate an entire profession. Germans, for instance, have excelled in many different societies as clockmakers, piano builders, and brewers. This is not because they have been forced into ethnic niches, but because traditionally they have been very good at these jobs.

IF SOWELL'S ENTIRE ARGUMENT RESTED ON German clockmakers, piano builders, and brewers, of course, he would have a very thin argument—and a thin book. But he provides scores of similar examples. Sometimes *Migrations and Cultures* reads like a compendium of odd statistics, a really long version of the *Harper's* "Index." Number of Japanese-owned barbershops in Lima, Peru in 1904: 1. Number in 1924: 130. Percent of all barbershops in Lima owned by Japanese in 1924: Almost three-quarters. Rate of home ownership among Sicilian immigrants to Australia: More than 80 percent. Percent of newspapers in Alexandria, Egypt, owned by Syrians in the early 19th century: Over half. This sort of thing can go on for pages in mind-numbing fashion. Yet the sheer magnitude of these references drives home Sowell's thesis.

Sowell is emphatic in making the point that cultural differences do not equal racial (i.e., genetic) differences, even though certain races are often closely associated with certain cultures. "Over long spans of history, the radical reshuffling of the relative technological rankings of different races and nations makes it hard to conclude that such standings are genetically determined," he writes. During the Middle Ages, Southern and Eastern Europe was much more advanced than Northern and Western Europe. But by the time of the Enlightenment, their positions had started to reverse.

Chinese migrants provide a similar example of a culture in flux. During the 20th century, the Chinese "have prospered all around the world—except in China." In fact, the overseas Chinese produced as much wealth in 1994 as the entire population of mainland China, which is many times larger. This has not always been the case. Less than one thousand years ago, China was arguably the most advanced civilization on the planet. But today, Chinese political institutions and economic practices inhibit entrepreneurial growth.

In other places, most notably Indochina and increasingly in North America, the Chinese have succeeded remarkably as what Sowell calls "middleman minorities." Middlemen may have a lousy reputation, but they perform the useful service of lowering the cost of economic transactions. This can lead to many small successes, as individuals struggle to open stores in Singapore or Malaysia so they can support themselves and their families. It can also lead to stunning achievement. There are currently five billionaires in Indonesia and Thailand, and each is of Chinese ancestry. Some commentators have started referring to the "Bamboo Network" of overseas Chinese who have invigorated Southeast Asian economies and

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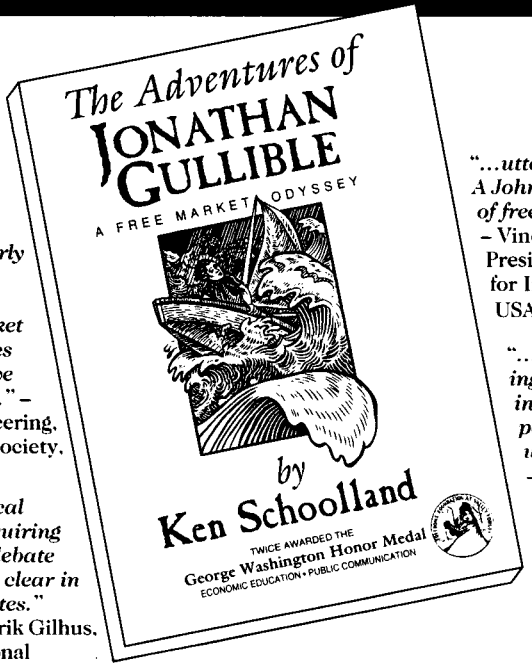

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SMALL BUSINESS HAWAII

The Adventures of JONATHAN GULLIBLE:
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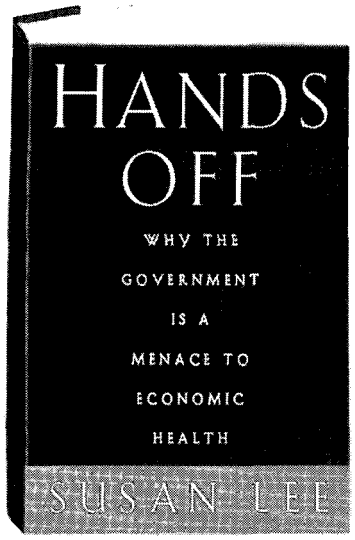

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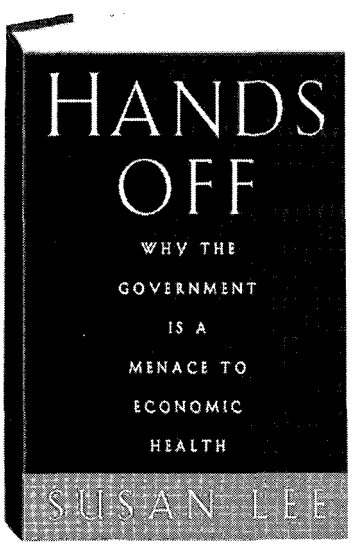

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are making dramatic progress in mainland China itself as communist dictators grudgingly open markets to outside investment.

Sowell's thoughts on middlemen minorities are some of the most interesting in *Migrations and Cultures*. They are also some of the most aggravating, since we've heard them before—mainly from Sowell. In 1994's *Race and Culture: A World View* (which is ostensibly a companion to the current volume), Sowell also includes a section on middleman minorities. The two discussions do not overlap precisely and the anecdotes are mostly different, but veterans of the first book occasionally will experience a sense of déjà vu when reading the new one.

Much of the occupational segregation we see is often better understood as cultural segregation. Sowell's six case studies provide dozens of examples of one cultural group coming to dominate an entire profession.

GEOGRAPHY ALSO HELPS EXPLAIN DIFFERences in how cultures have accumulated human capital. Coastal peoples have tended to be more knowledgeable, technologically and socially, than interior people, for example. Rivers can play a similar role, opening up the interior of a country to the outside world. One of the reasons why Africa is the world's least urbanized continent is not because its people are mentally deficient—a common if unspoken view—but because it has so few navigable rivers or natural harbors. In other words, Africans have not had the same kind of geographical advantages that have allowed other peoples to progress more rapidly.

Sowell does not directly tackle the question of what generic qualities make a culture economically successful. Perhaps this is too ambitious a task for anybody—much smarter to cite specific examples of success and try to learn from them, rather than concoct grand theories that have no basis in reality. Still, it's hard not to make at least two general observations.

First, each of Sowell's groups displays a commitment to the work ethic, or at least to some of the traits linked to it: "The capacity of Germans for hard, thorough, unrelenting work has been noted in Germany itself, as well as in colonial America, czarist Russia, Honduras, Australia, Brazil, Ireland, Argentina, and Paraguay." "The Japanese as a group acquired a reputation for honesty and reliability, whether in Brazil, the United States, or Peru." Jews and Indians are both described as scrappy people of commerce who will toil away as peddlers and invest heavily in the education of their children. At one point, Sowell suggests that we should stop referring to the haves and have-nots and take up the "more fruitful dichotomy" of doers and do-nots.

Second, political activism delays economic success, since its emphasis on redistribution does not lead to a culture's formation of human capital. Better that migrants spend their time running their business than running for office. When they do run for office, they can rarely count on their ethnicity to get them far. When Fiorello H. La Guardia—the Italian American who represented New York in Congress and then served as mayor—ran for mayor in a 1941 re-election, he defeated an Irish opponent but did not carry the city's significant Italian vote. Peruvian President Alberto Fujimori is the descendent of Japanese migrants, but he needs more than their support to win elections. His popularity transcends his background.

Sowell does not talk much about Asian-American political behavior, but he might have. On a series of economic indicators, Asian Americans outperform every other racial or ethnic group in the United States, including non-Hispanic whites. They are also the least likely to

vote. The most successful Asian-American politicians, such as California state treasurer Matt Fong, Rep. Jay Kim (R-Calif.), and Rep. Robert Matsui (D-Calif.), do not rely exclusively on an ethnic constituency—unlike most black or Hispanic lawmakers. They campaign as candidates, not race-men.

Ultimately, *Migrations and Cultures* shows that the view from the ivory tower, in which all cultures are equal and discrimination always explains disparity, is wrong. To deny the fact of cultural competition—and that there are sometimes clear winners—is to engage in what Sowell condemns as "a polite evasion of otherwise embarrassing differences in performance" and "a distraction from the task of acquiring the requisite human capital behind other people's good fortune." ®

John J. Miller (millerjj@aol.com), a Bradley Fellow at the Heritage Foundation, is vice president of the Center for Equal Opportunity.

Color Bind

By David E. Bernstein

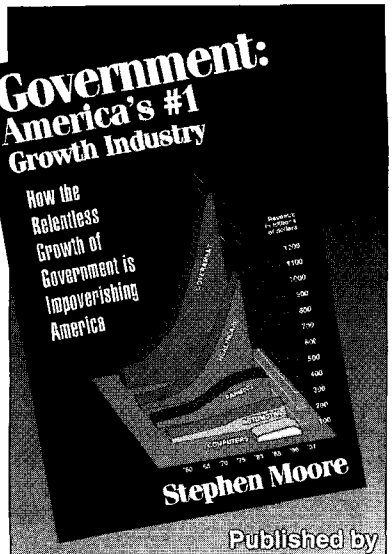
The New Color Line: How Quotas and Privilege Destroy Democracy, by Paul Craig Roberts and Lawrence M. Stratton, Washington, D.C.: Regnery, 247 pages, $24.95

THE NEW COLOR LINE: HOW QUOTAS AND PRIVILEGES DESTROY DEMOCRACY is a provocative but frustrating book. The heart of the book is a well-researched history of how civil rights litigation and legislation ultimately led to today's ubiquitous racial quotas and preferences. No boring academic tome, *The New Color Line* is well-written and concise. It is likely to be the leading conservative study of affirmative action for some time.

But even though the book is often insightful, it suffers from many of the flaws typical of conservative critiques of affirmative action. First, the authors fail to acknowledge at appropriate points America's history of oppression of racial minorities, particularly blacks. Second, the authors never discuss what would replace affirmative action. Third, the authors exhibit some confusion as to why they oppose affirmative action. Is it, as the title of the book implies, because affirmative action "destroys democracy"? Or is it, as the authors sometimes suggest, because affirmative action creates special privileges that destroy the liberal order? Or perhaps, as the authors argue in one chapter, civil rights laws that apply to private parties violate individual liberty, whether or not they are accompanied by racial preferences.

Paul Craig Roberts and Lawrence M. Stratton initially focus on the argument that affirmative action subverts democracy. According to the authors, the assault on democracy began with the 1944 publication of Swedish economist Gunnar Myrdal's treatise on the state of black America, *An American Dilemma*. Myrdal's book, a true masterpiece because of the prodigious research effort that produced it, put the neglected issue of the outrages suffered by black America in the forefront of the liberal agenda. But the book concluded on a pessimistic note: As a practical matter, segregation was too popular to be ended democratically.

Roberts and Stratton vigorously dispute this point, and contend that segregation was on its way out through democratic processes by the late 1940s. That may be true, but the authors fail to recognize that from Myrdal's 1944 perspective, America's recent history with regard to racial and ethnic minorities gave him no cause to be sanguine.



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Paul Craig Roberts: He and co-author Lawrence Stratton recognize that government-mandated preferences are not simply a threat to white males, but to the liberal order as a whole.

In addition to the day-to-day apartheid faced by blacks in the South, Japanese Americans were imprisoned in military internment camps; American Indians were, for lack of a better term, still being oppressed on their reservations; Chinese Americans were forbidden to marry whites in California, Oregon, Idaho, and other states; and the United States government, refusing to fill even the pitiful Eastern European quotas allowed under the discriminatory 1924 Immigration Act, was keeping its doors firmly closed to Jewish refugees from the Nazi genocide.

Roberts and Stratton do, however, present a persuasive case that *An American Dilemma* influenced the Supreme Court's decision to ban public school segregation in *Brown v. Board of Education* in 1954. The authors argue that *Brown* was a serious mistake for two major reasons: It retarded the democratic process, which would ultimately have resolved the segregation issue; and it was in clear conflict with the intentions of the framers of the 14th Amendment, who never would have dreamed that the Equal Protection Clause banned school segregation. Ultimately, according to the authors, *Brown* discredited both democracy and strict adherence to the Constitution among judges and legal scholars.

But the emphasis on *Brown's* antidemocratic tendencies begs the question of whether the South, especially the Deep South, was truly democratic before the Voting Rights Act was passed in 1965 and the black masses finally were able to exercise the franchise. In fact, Roberts and Stratton never consider this issue.

Moreover, the United States is not a democracy but a constitutional republic. The authors give short shrift to legitimate arguments—admittedly not made by the Supreme Court in *Brown*—that school segregation was a violation of the 14th Amendment's Equal Protection clause. The concept of equal protection, properly understood, dates back to the Jacksonian era and beyond. According to this tradition, "class legislation" favoring one group of citizens over another is prohibited.

SCHOOL SEGREGATION AS PRACTICED BY the Southern states was clearly class legislation favoring white children over black children. The Supreme Court could not rely on the anti–class legislation tradition in *Brown*, however, because during the Roosevelt era the Court had rejected it in favor of a policy of judicial restraint. On the other hand, a heavy dose of Myrdal—along with postwar revulsion at Nazi Germany's racial policies and the Cold War imperative of improving America's image abroad—persuaded the justices that state-sponsored segregation had to be ended immediately. The upshot was *Brown*, correct in its result but incoherent from a legal standpoint. The authors note that *Brown* quickly became a liberal icon, giving judges the authority and confidence to engage in judicial activism regarding racial issues. Nevertheless, the authors exaggerate the case's significance when they claim that *Brown* led to "rule by judges."

That dubious honor belongs to the relatively obscure case of *Shelley v. Kraemer*, decided by the Supreme Court in 1948. In *Shelley*, the Supreme Court held that court enforcement of racially discriminatory re-

CHAS GEER

strictive covenants violates the Equal Protection Clause. This ruling came despite the undisputed fact that any American citizen, white or black, had the equal right to make and enforce a racially restrictive contract. What the Court found objectionable was not discriminatory government action, but private discriminatory preferences. *Shelley* marked the beginning of the emergence of civil rights as an aggressively statist ideology. By the early 1960s, the primary goal of liberal judicial activists had shifted from *Brown's* emphasis on obliterating state-sponsored racism to *Shelley's* emphasis on conquering de facto segregation and private discrimination.

In 1965, influential United States Court of Appeals Judge Skelly Wright argued in favor of a judicially imposed merger of urban and suburban school districts, regardless of whether there was any evidence of intentional discrimination by school authorities. The purpose of this proposal was to overcome de facto public school segregation arising out of residential patterns in the private housing market. The scope of Wright's proposal is breathtaking. Not content with mere integration, Wright argued that each school in the merged districts must have a *proportionate* distribution of black and white students.

Wright's plan makes the judicial abuses that Roberts and Stratton cite—limited intra-city busing, federal takeover of the Kansas City school system—seem quite timid by comparison. Perhaps the real story is not that Americans are ruled by judges, but that we barely escaped absolute judicial control. In 1974, four of the nine justices on the Supreme Court voted to require states to merge their urban and suburban school districts. Had Hubert Humphrey been elected in 1968, the Supreme Court would have had three extra liberals and would likely have implemented Wright's scheme.

While judges have exercised only limited control over American life, civil rights laws have intruded dramatically on civil society, beginning with the 1964 *Civil Rights Act*, which prohibits discrimination in the public and private sector. In discussing the Civil Rights Act, Roberts and Stratton briefly abjure democracy and turn libertarian. Although they never explicitly oppose the act, the authors condemn its restrictions on private behavior for violating freedom of conscience. They applaud the prescience of Milton Friedman, Robert Bork (who has since recanted), and Barry Goldwater, all of whom opposed applying civil rights laws to cover private discriminatory behavior, but supported restrictions on discriminatory state action.

Roberts and Stratton point out that "Goldwater was an integrationist, but he appreciated the distinction between public and private that the preoccupation with quotas had obscured." Ironically, the authors' own preoccupation with quotas obscures any further discussion of the public-private distinction in *The New Color Line*, and the libertarian tone of the chapter on the Civil Rights Act soon vanishes.

Instead, the authors return to their focus on democracy. Roberts and Stratton do a truly masterful job of proving that the Civil Rights Act was intended to prohibit all forms of discrimination, including reverse discrimination. They then explain how bureaucrats and judges nevertheless managed to institute a quota regime under the act. As is true throughout the book, the authors provide a wealth of interesting and often amusing detail to support their analysis. For example, the authors report that Alfred Blumrosen, the first compliance chief of the Equal Employment Opportunity Commission, steered the agency toward enforcing quotas. Why did Blumrosen have a free hand? Because the first chairman of the EEOC, Franklin D. Roosevelt Jr., spent most of his time yachting. Staffers sang "Franklin's Away" to the tune of "Anchor's Aweigh" during his many prolonged absences.

CONTRARY TO THE AUTHORS' VIEWS, however, it seems that bureaucratic and judicial support for affirmative action did not "destroy" democracy, but simply anticipated it by a decade or two. In a series of Supreme Court decisions in 1989,

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the Court returned to the original intent of the civil rights laws and reined in affirmative action. Two years later, however, George Bush signed the Civil Rights Act of 1991 into law, and racial preferences once again became the law of the land.

Roberts and Stratton clearly oppose the 1991 act, and other affirmative action schemes, but do not state what alternative they support. Perhaps the authors could not agree, which would explain why the book's position on the desirability of the 1964 act's prohibitions on private discrimination is muddled. Or perhaps they would both join most conservatives in supporting a strict, neutral civil rights law, under which whites would have the same right to sue for discrimination as minorities. Whites would be able to win lawsuits based on indirect and statistical evidence of discrimination, as protected minorities do currently.

The debate over affirmative action would be far more honest if both civil rights activists and conservatives would acknowledge that truly neutral civil rights laws are simply not a viable option. The answer, however, is surely not state-imposed racial preferences.

Under such a regime, employers seeking to avoid lawsuits would begin to hire workers based purely on objective credentials. Not coincidentally, blacks and members of other relatively impoverished and less-educated groups have fewer formal credentials than whites. Hence, neutral civil rights laws steer employers away from giving applicants with inferior paper credentials a chance. Blacks, Hispanics, and American Indians are therefore probably better off without civil rights laws than with harsh, neutral laws that do not permit affirmative action.

It would be possible to mitigate this result by allowing people to win civil rights lawsuits only when there is direct evidence of blatant discrimination. Back in 1964, many supporters of the Civil Rights Act seemed to have this kind of regime in mind. Within a few years, however, blatant, open discrimination of the (once common) "No Dogs or Jews allowed" variety had disappeared almost entirely. Today, even if the civil rights laws were all repealed, this type of discrimination would be unlikely to reappear except in very isolated pockets.

CIVIL RIGHTS ACTIVISTS ARE THEREFORE correct when they accuse conservatives who oppose affirmative action of essentially opposing civil rights laws. The only types of civil rights laws that apply to private conduct that conservatives can support would either actually harm minorities, or would be almost wholly ineffectual. The debate over affirmative action would be far more honest if both civil rights activists and conservatives would acknowledge that truly neutral civil rights laws are simply not a viable option.

The answer, however, is surely not state-imposed racial preferences. Roberts and Stratton, to their credit, recognize that government-mandated preferences are not simply a threat to white males, but to the liberal order as a whole. As the authors explain, the Western world has progressed over the centuries from a feudal order, in which a person's rights depended on his status, to a liberal one, where each individual is equal under the law. Racial preferences bring us back to a society based on status.

The authors are also correct in noting disturbing similarities between modern left-wing thinking on race and the ideology of perhaps the most illiberal regime in history, Nazi Germany. (But they undermine their point by drawing hysterical parallels between the rise of anti-semitism in 1930s Germany and what they call the "systematic delegitimization of the white

male" in contemporary America.) The modern American left is obsessed with racial identity and origin. Left-wing academics promote the idea that one's ethnic origins determine both what a person thinks and how much value society should attach to those thoughts.

Even more troubling, like other totalitarians, left-wing racialists encourage reliance on emotions and feelings, leaving many affirmative action activists seemingly utterly impervious to reason. When I was a first-year student at Yale Law School, left-wing students organized a student "strike" for one day to promote "diversity." One student speaker expressed her outrage that a white classmate declined an invitation to attend a "Women of Color and the Law" meeting. The classmate stated that as a white woman she was not "of color," and would therefore not be welcome. Reasonable? Not to the outraged speaker. She proclaimed that the white student was being racist because she saw whites as being of neutral pigment, while everyone else was "of color."

No one in the large crowd seemed to notice that it was the minority students who had designated themselves as being "of color" in the first instance. The glassy-eyed crowd's response to the speaker's inane blather was to applaud wildly. I witnessed the same reaction to several equally moronic speeches throughout the day. I went home very, very frightened.

In the long run, the ultimate victims of racialist thinking are likely to be America's traditional scapegoats, blacks, who continue to be vulnerable to political demagoguery because of their high degree of social separation from dominant white America. Roberts and Stratton, however, myopically suggest that racialist thinking might lead to an outbreak of violence against white males.

IN FACT, WHITE MALES HAVE HELD, HOLD, and will continue to hold for the foreseeable future a dominant position in American society. Affirmative action itself, in fact, is a creature of elite white males: senators, congressmen, presidents, Supreme Court justices, cabinet officials, university presidents, corporate CEOs, and so on. Elite white males could also end it any time they wanted to.

The reasons that they have not done so, it seems to me, is first, that affirmative action allows elite white males to show their concern for minorities by imposing costs on other, less powerful white males. Thus, incumbent tenured professors do not resign their own positions to make room for affirmative action candidates, but instead limit the job opportunities of young scholars who happen to be white males.

Second, affirmative action is the easy way out, tokenism at its worst. While my classmates at Yale spent hours and hours of time and energy pressing for more minority representation on the faculty and in the student body, thousands of poor black New Haven youths were trapped in horrible social conditions, surrounded by crime, and failed by the public school system. Few of them graduated high school, much less got a chance at attending law school.

The protesters eventually persuaded the faculty to award tenure to an obscure black professor who had published next to nothing. Would it be churlish of me to suggest that the law school would have struck a far greater blow for equality if it had donated the present value of this professor's future salary (which I would conservatively estimate at $3 million) to tutoring programs for local New Haven youths who are interested in becoming attorneys?

Affirmative action, then, should be ended not only because, as Roberts and Stratton argue, it violates individual rights, conflicts with a healthy civil society, discriminates against white males, and creates opportunities for government mischief-making, but because it distracts people of goodwill from confronting the real racial problems facing the United States. Quotas and set-asides may create the illusion of a just, equal society, but do little to actually implement it. R

David E. Bernstein (dbernste@wpgate.GMU.edu) is an assistant professor at the George Mason University School of Law.

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Free Traitors

By Thomas W. Hazlett

Pat Buchanan's downsizing of America

PATRICK BUCHANAN'S SHINING MOment came with the "hissy fit" thrown by the Republican Establishment after his victory in New Hampshire. He was devilishly gleeful that the mavens just couldn't peg this political maverick.

Let's see. On the one hand, Buchanan is running to the left of Clinton on trade, Wall Street bashing, and industrial policy as a substitute for marketplace competition. Buchanan's heartfelt critique of downsizing by remote corporate big shots is reminiscent of Michael Moore's 1990 docudrama *Roger & Me*, which pictured laid-off GM workers skinning rabbits while company brass dined at the country club. That part of Pat's message sounds a lot like socialism.

On the other hand, Buchanan is patriotic, isolationist, anti-immigrant, and clearly a bellicose defender of "America First." That's called nationalism. So, Buchananism is this odd mix: nationalism and socialism. Gee, that doesn't ring a bell, does it?

THE CENTRAL FRAUD THAT BUCHANAN commits is to inflame his followers with the false consciousness (as the Marxists used to say) that the perfectly rational and progressive changes of our time—globalization, computerization, and megacorporation downsizing—are perpetrated by an evil capitalistic elite assisted by hordes of greedy foreign agents.

The tumult in our corporate superstructures is a reality of the space and time we now occupy. Take the AT&T downsizing, the 40,000-layoff cause célèbre. AT&T is the remnant of what was only recently a gargantuan, inefficient, government-protected monopoly. Thrust into the icy waters of creative destruction, it is now one of the most dynamic companies in the world, an international leader in telecommunications, and the most aggressive firm in the U.S. long-distance market—where prices have fallen 60 percent over the past decade. The gains for consumers—i.e., about 120 million workers in other industries—have been enormous.

The very technologies and efficiencies that AT&T has deployed to surf the market's competitive waves have exploded demand for auxiliary services. To wit: Internet software providers owe their physical network to the fiber-optic scaffolding hammered into place by AT&T and its long-distance rivals.

Dynamic new markets combust from the rotting chemical compounds emitted by the old. The exodus of millions of workers from the farm sector earlier this century helped fuel the rise of the mighty industrial machine we call America.

The fact is that the current transition to the so-called Third Wave is robust, as our (middle-class) incomes are rising still. A recent Federal Reserve Bank study notes, "Economic doomsday stories have proliferated from superficial analyses based on aggregated wage and income statistics. A careful...examination of the data that takes into account just a few of the surrounding factors...brightens the picture of Americans' progress in living standards."

Indeed. When you toss in the rise in benefits, the decline in family size, and product-quality improvements, real median U.S. income is at record levels. "Baby boomers," writes *The Washington Post*'s James K. Glassman, "have inflation-adjusted incomes that are 50 percent higher" than their parents.

Much of this gain has been achieved through corporate downsizing. Fortune 500 employment is substantially down since 1970—in absolute numbers—despite a 67 percent increase in U.S. jobs. Growing small and medium-sized firms are able to make better use of recycled talent. The food chain reverses: The little fishes are gorging on the killer whales.

Many have drowned in heroic attempts to rescue the big fish. Take Germany. Workers at large firms there have rights—they can't be tossed away like yesterday's news. Small problem: German companies never procreate. While the U.S. economy was hatching about 27 million new jobs (net) from 1979–1995, the Germans (not counting the annexation of East Germany) were roughly celibate. Today the U.S. unemployment rate stands at 5.8 percent compared to 10.3 percent in Deutschland. Employers there are using offshore labor, automation, temporary immigrants, and part-time employees to dodge the "tough" regulatory measures that those who feel the workers' pain are poised to enact here.

Robert Crandall, an economist at the Brookings Institution, notes that the save-jobs-via-regulation mentality is similar to "telling prospective employers that they must commit to hiring you for your entire working life, paying you an ever-increasing real wage." Wait by the phone, and choose wisely among your many offers.

Bob Dole, running for president of these United States, desperately needs to stand for something. Why not try principle as a campaign gimmick? Opposing both socialism and nationalism for the lofty reason that they would wreak havoc upon the average working stiff would be a pretty good place to start. And it would pin Pat Buchanan's suspiciously anti-American message to just its appropriate spot on the geopolitical spectrum. ®

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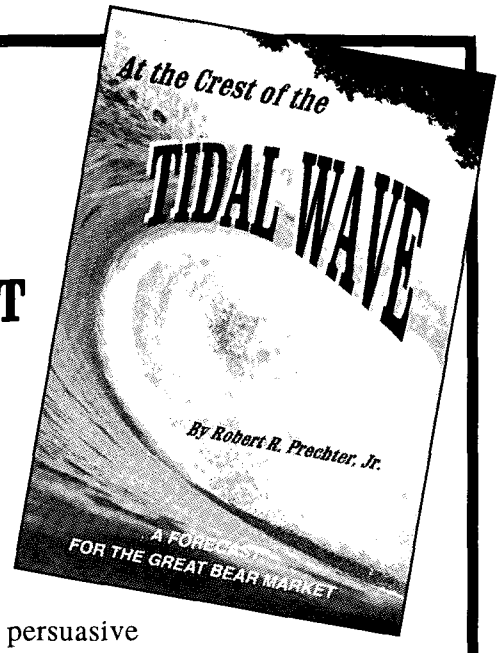

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